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## **STOCK EXCHANGE ANNOUNCEMENT**

31 October 2019

### **Chorus' annual shareholders' meeting**

The attached prepared announcements will be delivered at Chorus' annual shareholders' meeting to be held in Wellington at 10.30am today:

- Chairman's address;
- CEO's address; and
- Presentation slides.

Copies of these announcements will be available on Chorus' website later today.

The meeting will also be webcast live on the investor section of Chorus' website at [www.chorus.co.nz/webcast](http://www.chorus.co.nz/webcast).

ENDS

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## **Chorus Annual Meeting 31 October 2019**

### **Chair's Address**

Good morning and welcome to Chorus' 2019 Annual Shareholders Meeting. It is great to see some familiar faces back, and thank you for making the effort to join us today.

My name is Patrick Strange and I am Chorus' chair.

Our agenda this morning is a short address from me. We'll then hear from chief executive Kate McKenzie, followed by resolutions and voting.

My fellow directors are here today:

Jon Hartley, Deputy Chair

Prue Flacks

Anne Urlwin

Murray Jordan

Mark Cross

Jack Matthews

and, of course

Kate McKenzie.

We also have our Chief Financial Officer, David Collins, General Counsel & Company Secretary, Elaine Campbell, several other key executives, and our auditors KPMG here with us today.

During the financial year ended 30 June, Chorus achieved a net profit of \$53 million and EBITDA of \$636 million, in line with guidance.

This enabled us to deliver a fully imputed dividend of 23 cents per share this financial year. This is anticipated to increase to 24 cents per share in FY20, subject to no material adverse changes in circumstance or outlook. In the board's view this represents a prudent dividend policy that reflects our current operating environment.

We had a strong year for broadband connections, with an increase of 9,000 lines, despite expected losses in the LFC areas as they install fibre to our copper customers. This was a significant jump from a gain of just

1,000 broadband lines in FY18 and reflects our ongoing initiatives to win broadband customers from cable and fixed wireless networks in our own fibre areas, together with growth in the number of premises nationwide.

We're about 80% of the way to our target of building our fibre network past approximately 1.36 million homes and businesses by the end of 2022. And under UFB2 (an extension to the original UFB rollout), we've started taking fibre to more than 300 smaller towns for the extension of (UFB2), where fibre promises to deliver even greater socio-economic benefits.

Unquestionably, the Ultra-Fast Broadband programme has been a success for New Zealand inc. Infrastructure NZ has called it one of the most successful Public Private Partnerships in New Zealand's history.

With the first phase of the programme nearing completion in the coming weeks, it is important to celebrate and recognise what the team has achieved.

It's a great example of how Government and the private sector can work in partnership to deliver a step change in infrastructure quality on behalf of the country. It's a model that could be used to solve many other infrastructure investment challenges.

But while the UFB is nearing completion, there are a number of other large New Zealand infrastructure projects that must get underway in the coming years. We all know the problem - recent Treasury figures indicated that some NZ\$130b needs to be invested over the next 10 years to get New Zealand's infrastructure up to scratch to meet significant population growth and ever increasing demands.

At least part of that funding will need to be raised from private investors, not unlike the Chorus model. So New Zealand's attractiveness to investors both locally and, most importantly, internationally will underpin the country's ability to deliver this unprecedented infrastructure programme.

A key signal to potential investors about the risks of investment in New Zealand infrastructure will be the Commerce Commission's implementation of the regime that will govern the new fibre broadband network built by Chorus.

These international investors (including many of our current shareholders) are watching the Chorus regulatory process very closely. If they sense that they are not going to get a fair return for the multi-billion dollar investment they made, a return that reflects the considerable risk they took and the long period they have waited for a return, this will be the last investment they and their investment community will make in New Zealand infrastructure - they have choices about where they put their money, and we are competing with other nations for it.

So their experience with Chorus will have a huge impact on New Zealand's ability to deliver the next \$130 billion of essential infrastructure, cost effectively, for everyone.

We will continue to work constructively with the Commission, providing high quality information and open engagement to allow them to reach the right solutions in as timely and thorough manner as possible.

Another area of strong focus for Chorus is customer experience. It is no secret that the huge, un-forecast, early take-up of fibre by New

Zealanders stretched our capacity in early years. And some customers experienced delays and frustrations as a result. For our part, we have made significant strides in improving the fibre installation process, delivering record volumes and new highs in customer experience. We are not perfect, but most customers have a prompt, effective installation now - and virtually every customer loves the speed, quality and reliability fibre offers.

But a challenge the whole telecommunications industry faces is communicating offerings in a way that customers want and understand.

Put simply, too often we still see big promises made and experience that doesn't quite measure up. We've also seen examples of people being sold broadband services that they didn't really understand.

As a sector we need to do better on this. New Zealanders are already wary of telecommunications – with low levels of trust and lots of complaints at RSP level.

And we've seen what happens in other sectors such as banking when conduct issues undermine consumer trust.

We all have to do better, and take the long term health of the whole sector into account through much greater customer focus.

Chorus will do our part, ensuring we provide easily understandable and trustworthy information about our products that allow customers to make clear and realistic comparisons. We hope others will do the same - and will not hesitate to call out instances where this is not happening, something we have been reluctant to do up to now.

Finally, those of you who were here last year will recall that I addressed the allegations of mistreatment of some individuals within our sub-contracted field force and committed to getting those issues sorted out, including commissioning an independent review. The issues arose principally within our migrant work force - whose contribution has been key to delivering the build in a period where labour has impossible to source locally.

We completed that independent review, and published it in its entirety. We have now completed a six month programme of work as a first step in an ongoing fundamental shift in management of our supply chain.

We have audited all sub-contracting companies, which resulted in 38 sub-contractors ceasing work on the Chorus network, and more than 100 more committing to improving.

Along with Visionstream and UCG, we have also:

- Developed worker's rights roadshows and new training for sub-contractors and their employees
- Finalised a new independent whistle-blower process
- Improved the fairness of how jobs are allocated and paid for
- Put lots of other structural improvements in place.

Chorus is absolutely committed to making the changes needed to make this right. We remain open to further changes if monitoring does not show all the improvements we want to see.

In terms of key personnel, the Board continues to evolve and refresh.

Anne Urlwin, who is a founding director, having been on the Board since Chorus' establishment in 2011, is standing down this year.

Anne steps down with the very best wishes of the rest of the Board and our thanks for her hard work, insights and very valuable contribution to Chorus. She will be missed.

We are pleased to have Sue Bailey standing for election to the Chorus Board today. Sue has spent her career in the telecommunications market, working for high profile companies such as Telstra, Virgin Mobile Australia/Virgin Mobile USA, and most recently for Optus where she was a member of the executive leadership team.

The Board unanimously supports Sue's appointment as an independent director, believing she will bring strong new experience and capabilities to the Board.

We are also very pleased that Mark Cross is standing for re-election as a Chorus director. Mark is standing due to the NZX listing rules requirements that require existing directors to retire and stand for re-election every three years. Mark will replace Anne as Chair of our Audit and Risk Committee, and is currently chair of Milford Asset Management, MFL Mutual Fund and Superannuation Investments, and a director of Z Energy.

The Board unanimously supports Mark's appointment as an independent director.

Finally, Chorus will also move forward with new management leadership as Kate McKenzie is stepping down as CEO.

On behalf of the Board, I would like to thank Kate for the superb work she has done leading Chorus. Chorus is well placed to take advantage of the opportunities ahead as we move from building the fibre network to operating it, thanks to her tenure and leadership.

We are sorry to see her go but understand her desire to spend more time with her Sydney-based family. She will leave with our very best wishes and thanks for a job well done.

In terms of Kate's replacement, we announced a couple of weeks ago that JB Rousselot will take over as CEO on 20 November 2019.

JB previously held senior positions at Telstra and NBN Co. Most recently he was Chief Strategy Officer at NBN, and before that he oversaw NBN's network and service operations.

The Board was fortunate to be able to consider several high-quality candidates for the role, and we are pleased to have secured JB to lead Chorus through the next phase of its evolution. And he inherits a very high performing executive team from Kate, so the company will not miss a beat.

I will now hand over to Kate to take you through some more detail about the work she and the team are doing.

Thank you.



## **Chorus Annual Meeting 31 October 2019**

### **CEO's Address**

Tena koutou katoa

Thank you Patrick and good morning everyone.

A special welcome in particular to those of you who have joined us here in our offices today - I look forward to talking to you after the meeting.

It's wonderful to be able to update you today on how Chorus is performing, not just in terms of our New Zealand operations, but also within a broader global context.

I've just returned from the Broadband World Forum in Europe, where global network operators and vendors share their views on broadband developments and trends.

In the space of a few years, technology discussions at the conference have swung from focusing on ways to extend the life of copper to a recognition that fibre is without question the best possible broadband technology.

The European telco operators we met with would give their eye teeth to have our fibre network. A rollout more than 80% complete, on time and on budget, with uptake already surpassing 55% in our fibre areas is still a distant dream for many.

Recent industry research from IDC suggested New Zealand's fibre adoption rate is more than double the average worldwide rate, and second only to Japan, with 44% of New Zealand consumers primarily accessing the internet through a fibre connection.

Of course the obstacles to rolling out fibre vary from country to country. They boil down to things like the practical challenges of building fibre in city environments, as well as regulatory and political hurdles. Together, these factors determine whether there is a business case for investing in fibre.

New Zealand has shown how a public private partnership can solve that business case and deliver an extremely cost effective outcome for taxpayers.

Some of the few telco operators that have made the leap to fibre are now also beginning to quantify the operational benefits. In Portugal, for example, fibre uptake is over 40% and the copper network has started to be phased out by network operator Altice. They are seeing faults and maintenance costs reduce significantly, along with electricity requirements.

We've begun to see some of these benefits as fibre uptake grows, with network maintenance costs reducing by 14% in FY19.

Our goal of reducing our greenhouse gas emissions by 80%, between 2012 and 2030, are closely linked to the reductions in operational and electricity requirements that fibre enables.

Another factor that is giving impetus to the international business case for fibre is data demand.

In the almost three years I've been at Chorus, average monthly data demand has gone from 123 gigabytes to 279 Gigabytes. Fibre customers are averaging 360 gigabytes a month.

This is not peculiar to New Zealand. European networks all cite average usage similar to ours and they expect it to keep growing.

In Iceland, a fibre network providing 1 gigabit connections as a standard broadband plan is now recording 500 Gigabytes a month average usage.

As we've seen with the Rugby World Cup, the growing consumer adoption of video on demand services drives significant growth in data usage. That's all the more so when people watch live events online.

We invested in extra capacity ahead of the Rugby World Cup and it was clearly needed. Record peak network throughput was about 2 terabits per second before the tournament. It peaked at 2.6 terabits during the France versus Wales quarterfinal.

The impending launch of online gaming services – like Google stadia – is only going to fuel the demand for data further. Industry observers say cloud gaming will almost double backhaul capacity requirements because of the need for symmetric upload and download.

Interestingly, Vodafone Australia's new chief information officer predicted just the other week that data use will grow between 700 to 1,000 times over the next five years. These predictions and the data trends we're already seeing may explain why there has been a noticeable reduction in the international hype about 5G.

The industry is grappling with the business case for 5G investment, with most operators seeming to focus on enterprise or private networks as the primary use cases.

Some European operators are also turning to alternative network investment solutions to bridge the investment hurdle. These include selling off their tower assets, or entering into network sharing arrangements.

We're keeping a close eye on these international developments because we believe infrastructure sharing at a wholesale level makes good economic sense for New Zealand.

For example, we've begun trialling small cell deployments with mobile operators, building on the success of earlier innovation trials to identify alternative uses for our assets.

Indeed, much of the discussion at Broadband World Forum was about the extent to which 5G will be reliant on fibre backhaul. One industry commentator said 5G networks need 16 times more fibre than 4G required.

And fibre just keeps getting better.

We have 10 Gigabit trials live today with a commercial product in the works. Equipment vendors are developing capability for 25 Gig.

These kinds of speeds may sound extreme, but it wasn't that long ago that we thought 30 megabits was a lot.

That became 50 megabits.

Now technology vendors like Huawei suggest that 4K TV content needs speeds of more than 80 megabits, while 8K will need more than 260 megabits and less than 15 milliseconds in latency.

With many homes having more than one screen or device operating at any one time, this means the case for wider adoption of Gigabit plans is already looking more and more compelling.

We're already at 11% uptake of 1 gigabit plans, with more than 70,000 connections. And about 15% of orders are for 1 gigabit speeds.

Another consistent theme across global network operators is the need to transform as technology changes and markets evolve. Ours is a dynamic industry and themes like agility and collaboration are an increasingly common language.

When I hear other operators discussing the challenges they face in getting their teams to work together and make rapid changes, I'm very proud of what we've achieved at Chorus in the last few years.

We've revamped our vision and values, with an emphasis on better managing the changes we need to make as Chorus moves from a focus on building fibre to maintaining and operating the fibre network. That has entailed thinking more about the future skills and capability we require, as we simplify and streamline our business.

This work is already paying off, as we use digital tools and machine learning to improve our processes.

Initiatives like fibre in a day, where we pre-qualify homes in our network systems for a single installation visit, mean we're now connecting people to fibre faster than ever.

In the three months to the end of September we completed 53,000 fibre installations – our most ever, and we achieved it with about 670 field crews.

And we lifted customer satisfaction. We went from 7.5 out of ten in July last year to 7.8 by the end of September. That has been held back by some variability between retailers, and scores are higher again where customers are part of our fibre in a day process.

We've been pleased to see a lift in positive feedback on the connection process appearing online as we've implemented the new process.

But, when we're connecting tens of thousands of customers a month, we also make mistakes. When that happens and we're made aware of the problem we apologise to the customer and then we make it right. We're also working on new ways to improve other aspects of the customer experience on fibre.

This includes using digital channels to help retailers, service companies and customers, gain much greater visibility of our network status, availability and provisioning. Our goal is a virtuous circle of improved customer experience with faster resolution of faults, retailers avoiding unnecessary cost, and our technician workforce being more productive. Another aspect of our business that's starting to show real results is our active wholesaler strategy. We've put a lot of effort into understanding

customer segments and connection trends across our network, and that's helped us undertake a range of targeted initiatives to grow fibre uptake. We were delighted to see broadband uptake grow by 10,000 connections in the first quarter. We added a record 46,000 fibre connections. Much of that growth is in Auckland, where we've just completed the fibre rollout and fibre now accounts for 72% of our broadband connections.

Together, solid broadband uptake and slowing disconnections in other fibre company areas meant we enjoyed our best quarter for fixed line connections in a good many years. That trend has continued through October.

This doesn't mean we're going to take our eye off the ball. We know we need to keep promoting fibre uptake and ensure that fibre delivers the experience customers expect.

That's why we are early adopters of new fibre terminals in the home that include in-built wi-fi capability. Wi-fi performance can vary considerably today depending on the quality of gateway devices and their set-up, so we're exploring how we might improve that for consumers.

Devices with new more powerful wifi capability – called wifi6 – are also close to being commercially available. WiFi6 uses 5G technologies to deliver higher speeds and capacity, and we envisage it playing a key role in enabling the convergence of fixed and mobile networks.

## **Farewell**

It's been my privilege to lead Chorus through a chapter in its extraordinary journey.

I'm confident that during my time we've definitely made New Zealand better and the company is well positioned to keep adapting into the future.

As Patrick has noted, there's still some unfinished business related to bedding-in the regulatory regime. Although I couldn't stretch my stay to fit that additional two-year instalment, I trust the Commerce Commission will adequately recognise the risks that investors took on to deliver such great broadband for New Zealand consumers.

Europe is trying to attract investment to build a gigabit society. New Zealand already has one.

When I head back over the Tasman Sea later this month, I certainly hope to be telling anyone who'll listen how New Zealand created a public-partnership model the rest of the world should follow.



# CHORUS

**ANNUAL MEETING**

31 October 2019

# Agenda

- > Chairman's Introduction & Address
- > CEO Address
- > Resolutions
- > Shareholder Discussion & Questions
- > Morning tea



# Your Board



Patrick Strange



Jon Hartley



Mark Cross



Prue Flacks



Murray Jordan



Jack Matthews



Kate McKenzie



Anne Urlwin

# FY19 results overview

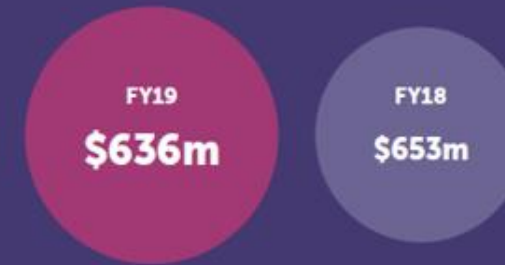
## Fixed line connections



## Broadband connections



## EBITDA<sup>1</sup>



## Customer satisfaction



## Fibre connections



## Net profit after tax



## Dividend



## Employee engagement score<sup>2</sup>



1. Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure. We monitor this as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.

2. A new engagement survey provider means FY18 data isn't directly comparable.

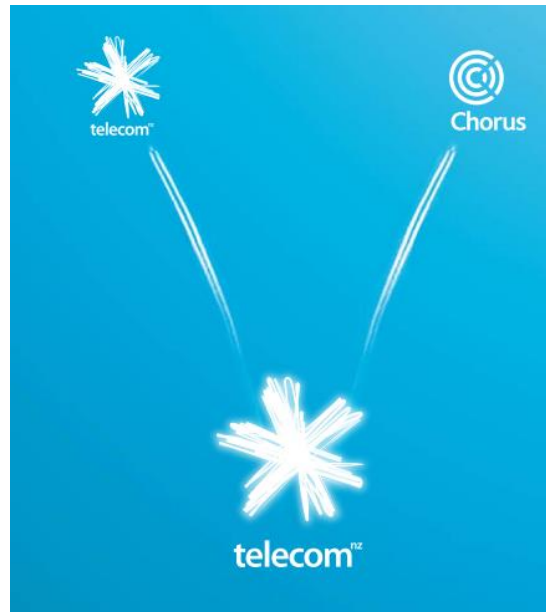
3. Based on the mean response to "How likely are you to recommend your company as a place to work?"

4. Net Promoter Scores can range from -100 to 100 and are calculated by subtracting the percentage of detractors (0-6 engagement score) from the percentage of promoters (9-10 engagement score).

# UFB context: A public-private partnership

Chorus was required to split from Telecom to build the UFB network and took on extensive contractual obligations, as well as substantial project and other related risks. The “fair bet” that investors took was an expectation of a fair return reflecting these risks.

In return, New Zealanders now have access to a world-leading fibre network at reasonable cost, well ahead of when it might otherwise have been built and with limited public investment.



## Crown contracts required:

- split of Chorus from Telecom
- Chorus to have investment grade rating (with dividend stopper if falls below)
- contracted product pricing, set by Crown to ensure initial uptake and limited for 10 years
- stringent rollout requirements, including material damages
- management step-in rights for material breach
- limitations on ongoing copper network investment

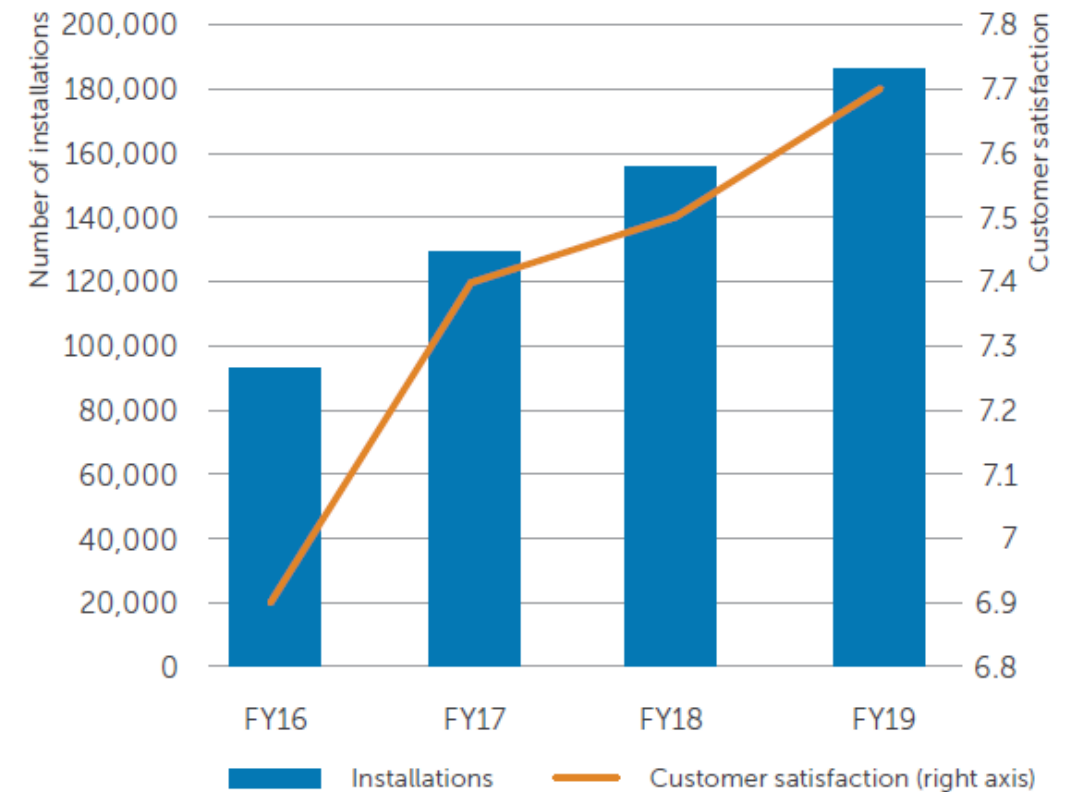


# Lifting productivity and customer experience

FY19: 186,000 fibre installations

- installation crews reduced from 800 to **670**
- lifted customer satisfaction from 7.5 to **7.7**
- lead times down from 13 business days to **8 days**

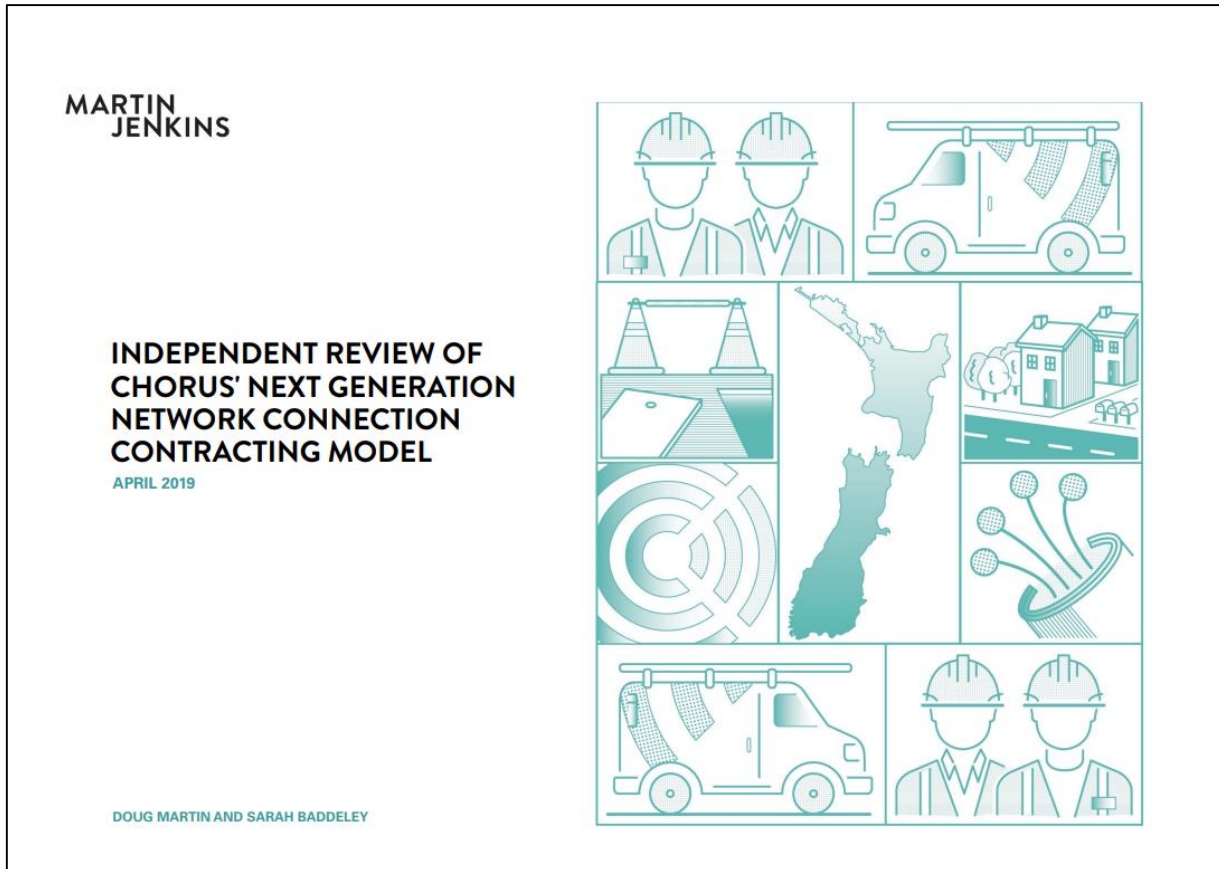
No. of crews: 524 615 800 670



# Independent workforce review

Report released in April

- All sub-contracting companies audited
- Developed worker's rights roadshows and new training for sub-contractors and their employees
- Finalised a new independent whistle-blower process
- Improved the fairness of how jobs are allocated and paid for
- Other structural improvements



# Director and CEO changes



Sue Bailey

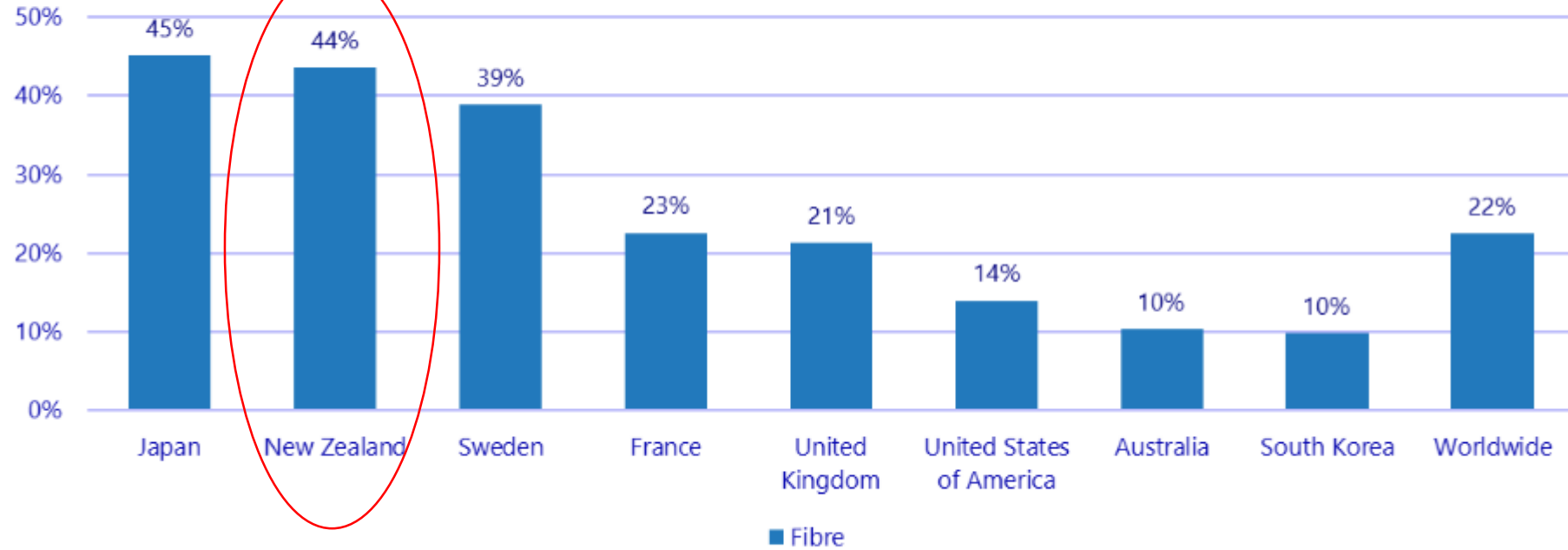


JB Rousselot



# CEO Address

### Worldwide Consumer Fibre Adoption Rates 2019



Source: IDC 2019 ConsumerScape 360 Survey

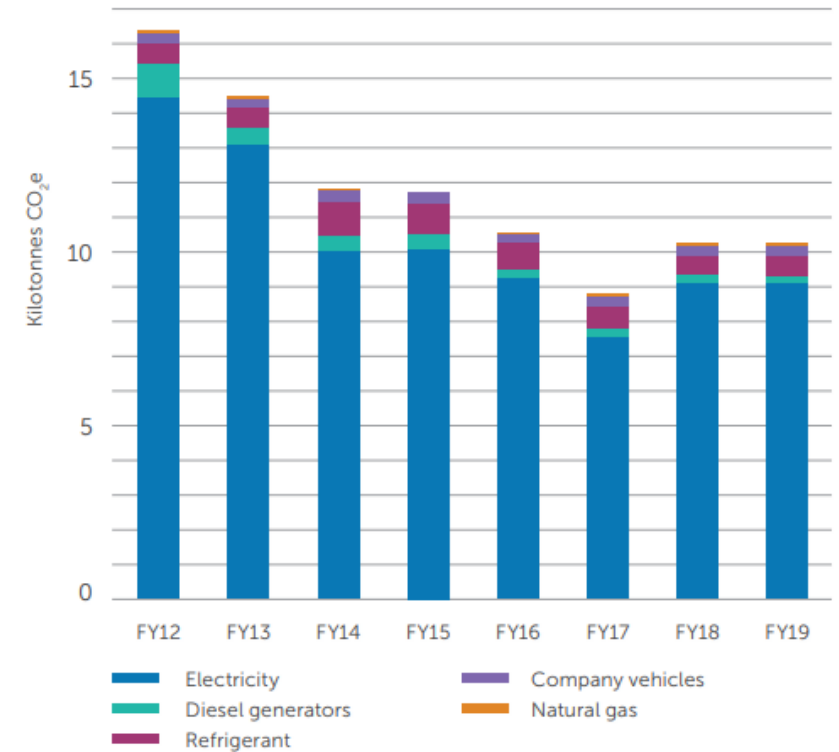
# Making New Zealand better

- We expect our investment in fibre to help us achieve an 80% reduction in our scope 1 and 2 greenhouse gas emissions, from our FY12 base year, by 2030.
- Our investment in FTTH is also enhancing our network resiliency for climate-related events. We consider the potential near to medium term financial impact of climate change effects on our business to be low.

MEMBER OF  
**Dow Jones  
Sustainability Indices**

In collaboration with  **SAM**  
a RobecoSAM brand

Scope 1 and 2 Emissions

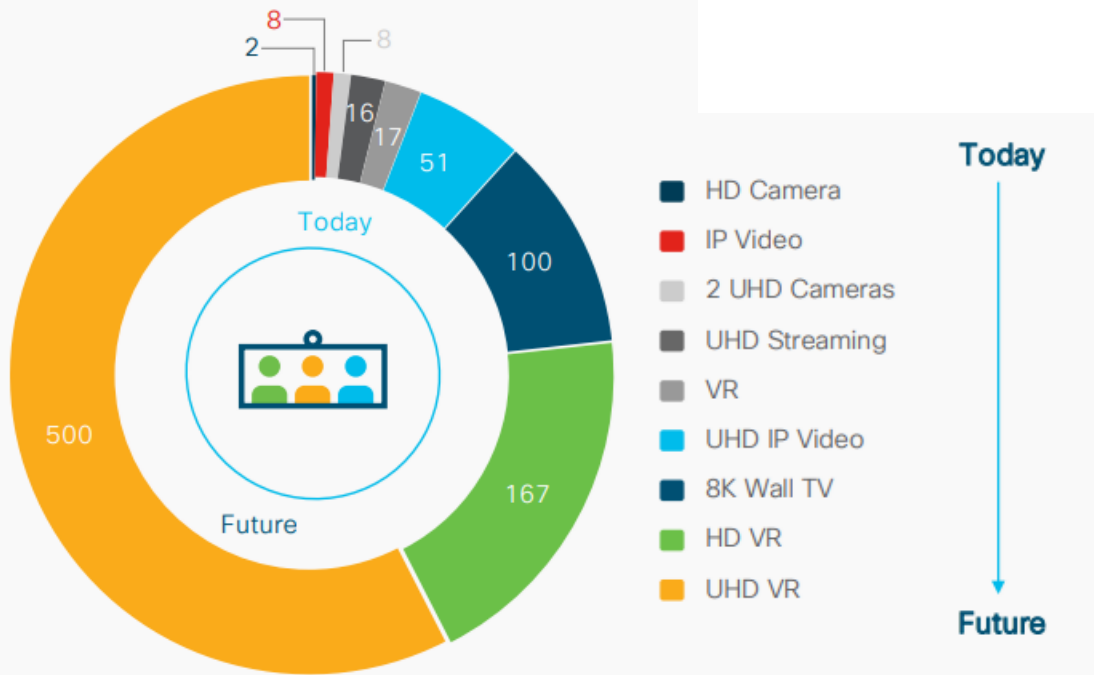


*Note: FY19 electricity emissions have been estimated in advance of the release of government electricity generation and emission data. Service company fleet emissions are included in Scope 3 value chain emissions because the vehicles are owned and operated by third parties.*

# 1,000 Gigabytes per month by 2023...

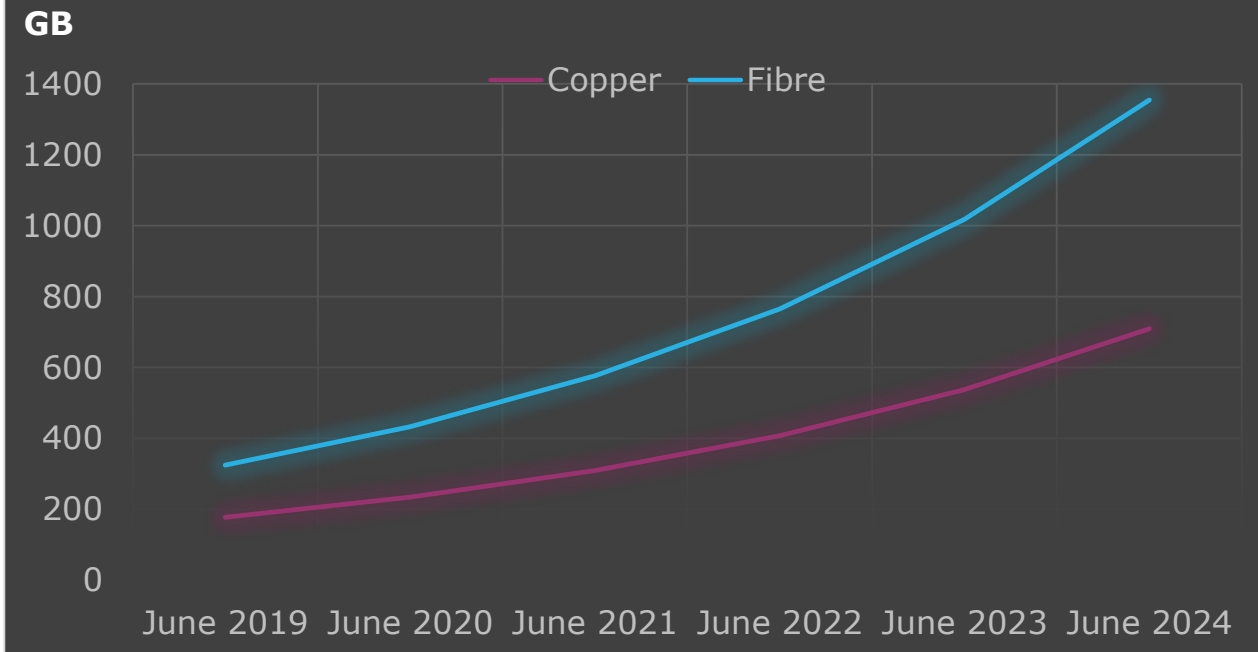
Video content and 4K, 8K to drive usage growth

Application requirements in Mbps



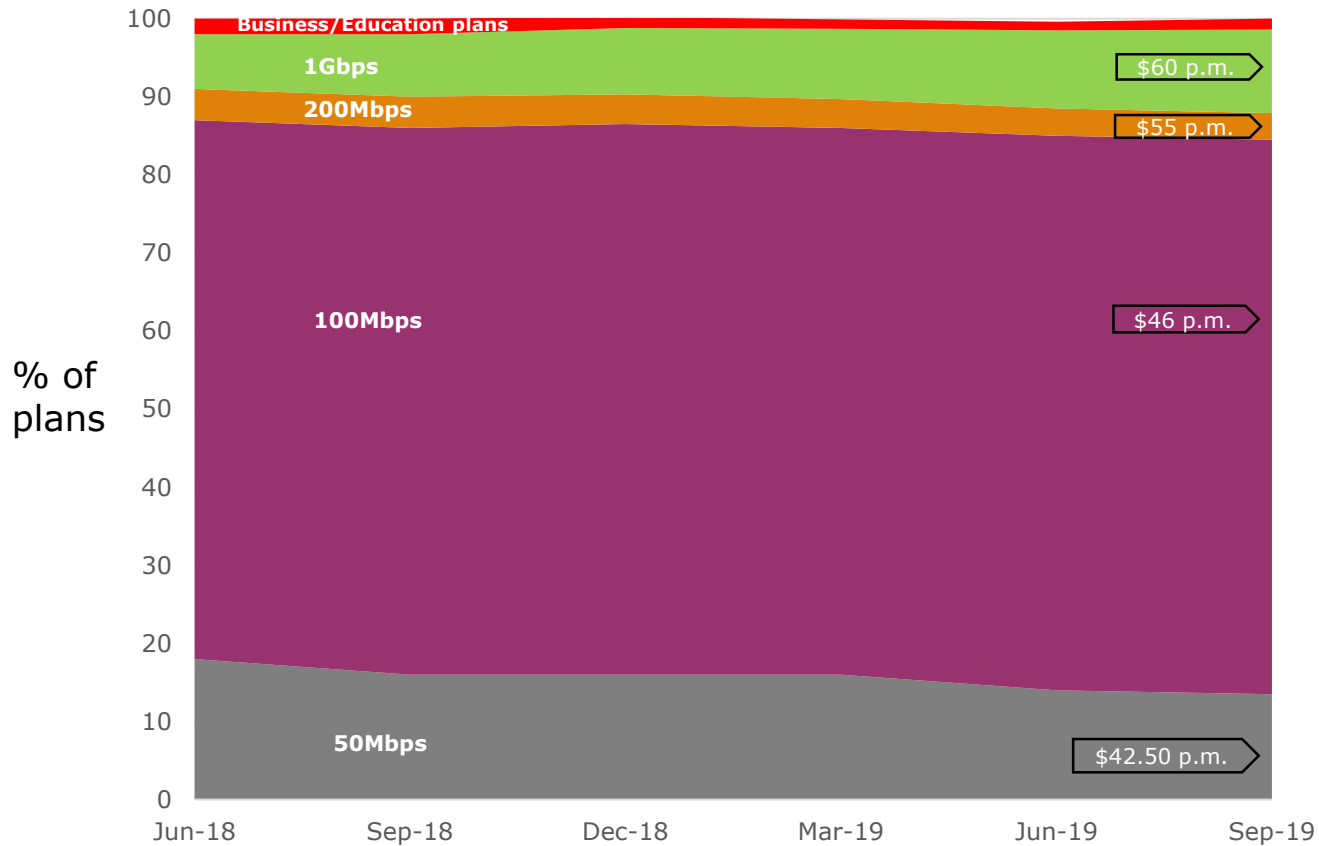
Source: Cisco VNI, Forecast and Trends, 2017-2022

Chorus forecast: average monthly broadband usage (GB)

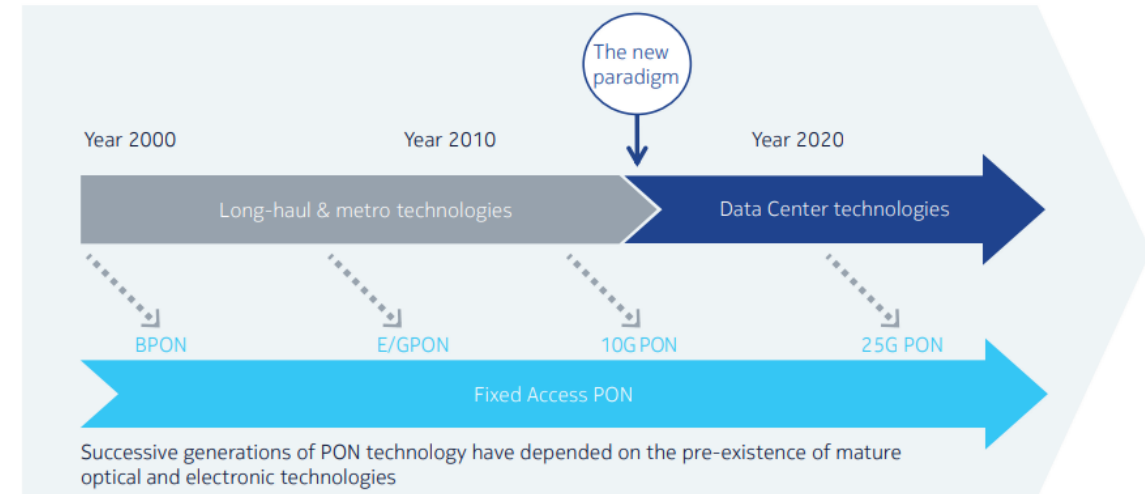


# Gigabit society and beyond

**Total mass market fibre uptake by plan type**



**10G PON in trial, 25G PON on the roadmap**



Source: Nokia

WE'RE FOCUSED ON

**CUSTOMER**

Transform customer experience

**DIGITAL**

Nothing happens if it's not digital

**PEOPLE**

We're committed to enabling our people

**OPTIMISATION**

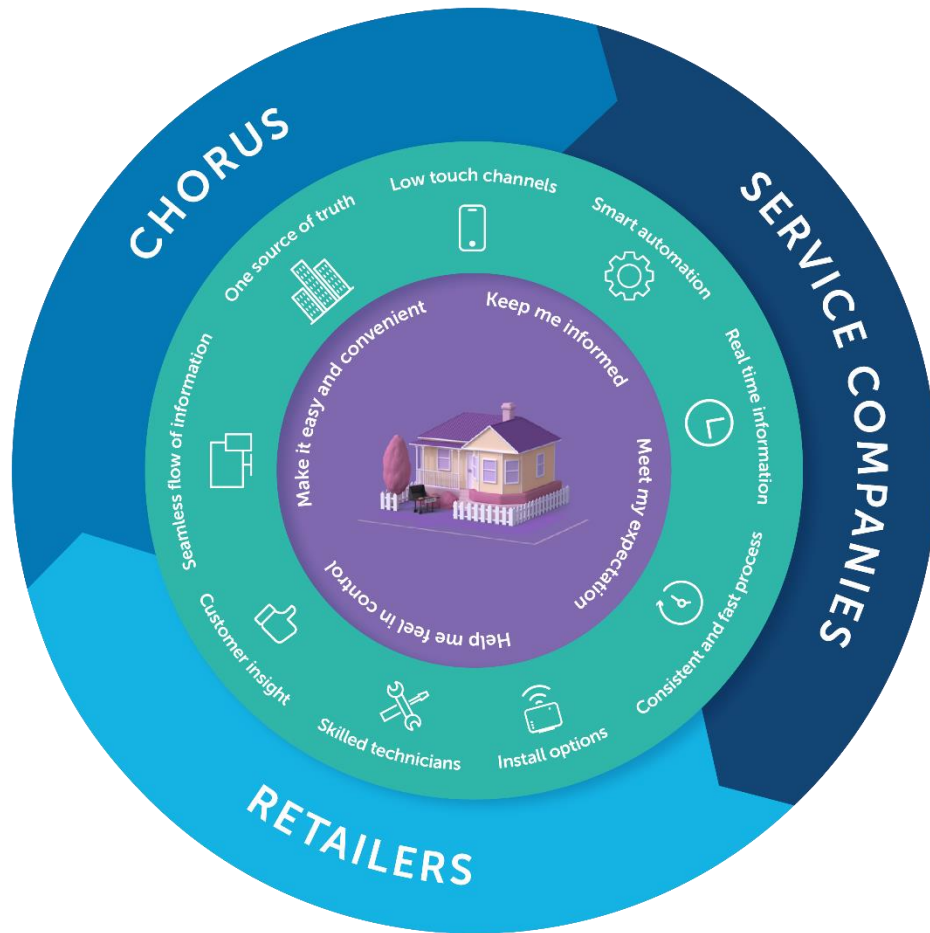
We improve by getting better at what we do

**INNOVATION**

New revenue opportunities



# Working together to improve customer experience



## Customers like our new installation process

*"...noticed that fibre is available at my address and I called 2degrees on Sunday afternoon to switch over...The router arrived on Tuesday morning and at lunch time the chorus guys came and asking if I wanna connect it a same day ,then they just carried on their work and voila! 3 hours later Fibre is all up and running."*

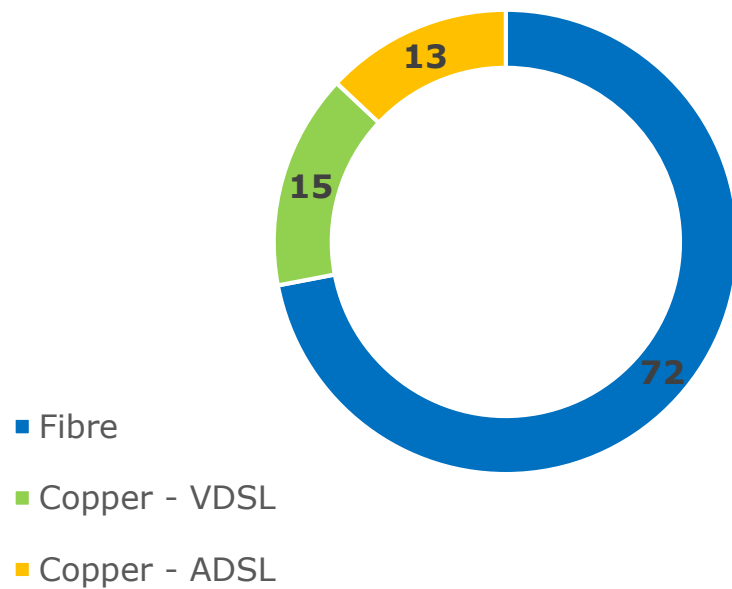
*"Had pretty much same with BigPipe, router arrived pretty much day after I signed up, few days later Chorus were onsite and completed the install same day. Was so surprised I got caught up with my bill for previous ISP"*

Source: Geekzone website

# Chorus fibre uptake

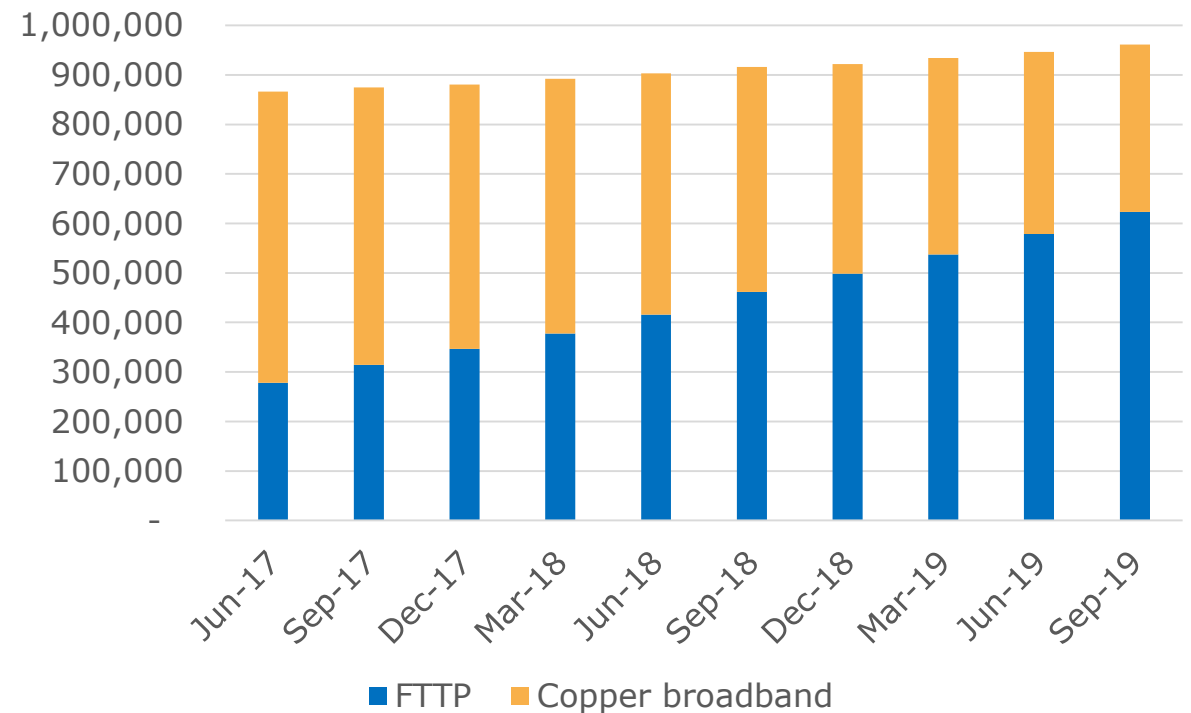
72% of Auckland broadband connections now on fibre

Auckland broadband connections by type (%)



Fibre now 65% of broadband in UFB zone

Chorus UFB zone broadband mix





# SHAPING OUR FUTURE

**WE DO THIS BY BEING**  
**AUTHENTIC**  
**CURIOUS**  
**COLLABORATIVE**  
**COURAGEOUS**

**WE'RE GOING TO**  
**KEEP**  
**NEW ZEALAND**  
**NEW**

**WE'LL GET THERE BY**  
Creating an environment  
for our customers and  
our people that optimises  
today's business and allows  
us to innovate for growth

**BECAUSE WE WANT TO**  
**MAKE**  
**NEW ZEALAND**  
**BETTER**

**WE'RE FOCUSED ON**

**CUSTOMER**

Transform customer  
experience

**OPTIMISATION**

We improve by getting  
better at what we do

**DIGITAL**

Nothing happens  
if it's not digital

**PEOPLE**

We are committed to  
enabling our people

**INNOVATION**

New revenue  
opportunities

# Resolutions

# Resolutions

1. That Mr Mark Cross be re-elected as a Chorus director.
2. That Ms Sue Bailey be elected as a Chorus director.
3. That the maximum aggregate remuneration able to be paid to all directors (in their capacity as directors) be increased by \$19,542 (1.7%) from \$1,149,500 to \$1,169,042 per annum.
4. That the Board be authorised to fix the fees and expenses of KPMG as auditor.
5. That Chorus' constitution be altered in the form and manner described in Explanatory Note 4, with effect from the close of the annual meeting of shareholders.

**Any questions?**

C H ● R U S



# 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.
- Is current at the date of this presentation, unless otherwise stated. Except as required by law or the NZX Main Board and ASX listing rules, Chorus is not under any obligation to update this presentation, whether as a result of new information, future events or otherwise.
- Should be read in conjunction with Chorus' audited consolidated financial statements for the year to 30 June 2019 and NZX and ASX market releases.
- 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.