

C H ● R U S

Proposed offer – incentives from April 2019

April – June 2019 Proposed incentive offer consultation

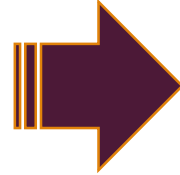
Our [Chorus Connect Offer](#) runs through to 31 March 2019. We are currently working through what our next fibre offer might look like.

This short presentation outlines our current thinking but we'd love your feedback ASAP so we can finalise and announce by 1 March 2019. Our proposed timeline for this consultation is as follows:

Consultation Activity	Due date
Draft offer shared via Customer Update	11 February 2019
RSP feedback	By 20 February 2019
Finalised offer announced	By 1 March 2019
Offer commences	By 1 April 2019

Incentivising you to connect households to fibre AND go big with the Gig!

Current offer



Proposed offer



Chorus Connect (extended version)

Promotional Period: 1 July 2018 to 31 March 2019

- Supports new connections to Chorus fibre (entry level, premium and business services)
- From 1 January provides a bonus credit additional to all eligible new connects
- Opens new opportunities for you to upgrade fibre customers to higher bandwidth connections

Mix it Up

Promotional Period: 1 April to 31 December 2019

- Performance based incentives assessed on the plan mix of your orders
- Incentivises new connections to speeds 100Mbps+ plans
- Incentivises upgrades to the gig including Gigatown migration to the national Gig plan before the current subsidy ends on 30th June 2018

The benefits of mixing it up.

Let your customers Stream Big on our premium fibre connection.

- With New Zealanders consuming more online content than ever before **the time is right** to shift gear and accelerate their plan speeds.
- We know **Gig customers are happier customers**. Gig plan holders are three times more likely to recommend fibre than 100Mbps and six times more likely than 30Mbps customers.*
- Combining our proposed incentives with Chorus' Gig price reduction (in July 2019 and 2020) **smooths the upgrade price path** for you and your customers.
- Our marketing activity will continue to focus on both our Stream Big campaign and educating Kiwis on the benefits of fibre.
- Our **Marketing Development Fund** will continue to provide additional support for your marketing activities upfront.

* Refer to slide 11 for more details.



Mix it Up Overview

Proposed 'Connect to 100M+' Incentive

% of orders received in a quarter which are 100Mbps or faster (to qualify for a credit)	\$ credit for new connects 100Mbps or faster:
Eligibility threshold for the credit is $\geq 95\%$	Up to \$50

Whether you hit the above 95% target or not there may be more credits on offer for you here with the Gig:

Proposed 'Get to the Gig' Incentive (includes upgrades from lower speed fibre plans)

Order Months ("Quarters")	% of all orders received in a quarter which are Gig speed (thresholds to qualify for credits)	
	25% \leq 50% Qualifies for the following \$ on new gig connections & upgrades to gig:	> 50% Qualifies for the following \$ on new gig connections & upgrades to gig:
1 April – 30 June	Up to \$125	Up to \$150

- Migrations from Dunedin Gigatown fibre plans to the Gig will be considered an "upgrade" for incentive purposes.
- We measure all fibre orders received in a quarter (excluding cancellations & disconnections) to calculate your plan mix and determine whether you meet the thresholds .
- We will pay credits to eligible connections once Service Given.
- 12 month pro rata repayment period for disconnects and downgrades will apply.
- New connects includes fibre install required and inactive intacts >30 days.

Disclaimer: This proposed offer, including the indicative financial incentives identified, remains under construction internally and is still in consultation phase. The final offer we choose to launch in due course may differ from this proposal.

"Sample Co" case study - background

Sample Co is a (fictional) RSP specialising in selling UFB to NZ households. After acquiring a smaller competitor 18-months ago they have a fibre portfolio with 37k connections and connect another 4,680 per quarter (gross).

Sample Co are considering different ways in which they could benefit from Chorus' proposed Mix it up offer when it launches on 1st April 2019.

"SAMPLE CO" CURRENT FIBRE PORTFOLIO						
Plan speed	<100Mbps	100Mbps	200Mbps	Gigatown	1Gbps	Grand Total
Current Portfolio	4,000	30,000	215	670	2,780	37,665

"SAMPLE CO" FIBRE ORDER MIX											
Scenario	<100Mbps	100Mbps	200Mbps	Gigatown	1Gbps	Total orders	New to Fibre threshold	New to gig threshold		Credit payable	
								25≤50%	>50%		
Maintains current order mix	Total order mix	6%	79%	3%	1%	11%	100%	X	X	X	N
	New connects	300	3,720	120	60	480	4,680				\$0
	Upgrades	150	1,860	60	30	240	2,250				\$0
	Transfers	50	620	20	10	80	780				\$0

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"Sample Co" case study – incentive scenarios

Scenario		<100Mbps	100Mbps	200Mbps	Gigatown	1Gbps	Total orders	New to Fibre threshold	New to gig threshold		Credit payable
									25≤50%	>50%	
Default entry level to 100Mbps plans in favour of 100Mbps	Total plan mix	0%	86%	3%	1%	10%	100%	✓	✗	✗	Y
	New connects	-	4,020	120	60	480	4,680				\$243,003 (4,680x\$50)
	Upgrades	-	2,010	60	30	240	2,340				\$0
	Transfers	-	670	20	10	80	780				\$0
Migrate 200Mbps, gigatown & 20% of 100Mbps portfolio to Gig	Total plan mix	4%	45%	0%	0%	51%	100%	✓	exceeded	✓	Y
	New connects	300	3,720	-	-	660	4,680				\$318,000 (3,720+660)x\$50 + (660x\$150)
	Upgrades	150	1,860	-	-	6,330	8,340				\$949,500 (6,330x\$150)
	Transfers	50	620	-	-	110	780				\$0
Default entry level to 100Mbps, migrate 200Mbps, Gigatown & 5% of 100Mbps portfolio to gig	Total plan mix	0%	72%	0%	0%	28%	100%	✓	✓	✗	Y
	New connects	-	4,020	-	-	660	4,680				\$333,000 (4,680x\$50) + (660x\$150)
	Upgrades	-	2,010	-	-	1,830	3,840				\$228,750 (1830*\$125)
	Transfers	-	670	-	-	110	780				\$0
Sell only <100Mbps & Gig plans. Upgrade gigatown, 200Mbps & 1k of their 100Mbps portfolio to gig	Total plan mix	47%	28%	0%	0%	25%	100%	✗	✓	✗	Y
	New connects	4,020	-	-	-	840	4,860				\$105,000 (840 x \$125)
	Upgrades	-	1,860	-	-	1,330	3,190				\$166,250 (1330*\$125)
	Transfers	200	620	-	-	110	930				\$0

Note: "Upgrades" includes transfers that are also upgrades. "Transfers" are transfers that are to the same speed or lower plans

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Possible extensions of the new fibre offer – up to 31 December

We are considering extending the draft offer set out above (excluding Gigatown migrations) for the remaining quarters of the year (1 July to 31 December 2019). We're proposing that there will be one key amendment to the proposed offer - the credits applicable to the Gig incentive, which will change as outlined below:

Proposed 'Get to the Gig' Incentive (includes upgrades from lower speed fibre plans)

Order Months ("Quarters")	% of all orders received in a quarter which are Gig speed to qualify for a credit (thresholds to qualify for credits)	
	25% ≤ 50%	> 50%
	Qualifies for the following \$ on new gig connections & upgrades to gig:	Qualifies for the following \$ on new gig connections & upgrades to gig:
1 July – 31 September	Up to \$110	Up to \$135
1 October – 31 December	Up to \$100	Up to \$125

Although we hope the offer will be successful and will be extended, depending on the feedback from this consultation, the adoption of the incentives in market, and the market conditions at the time, Chorus may also make other changes to any extension, including, but not limited to, threshold changes, structure changes or potentially not proceed with an extension of the offer.

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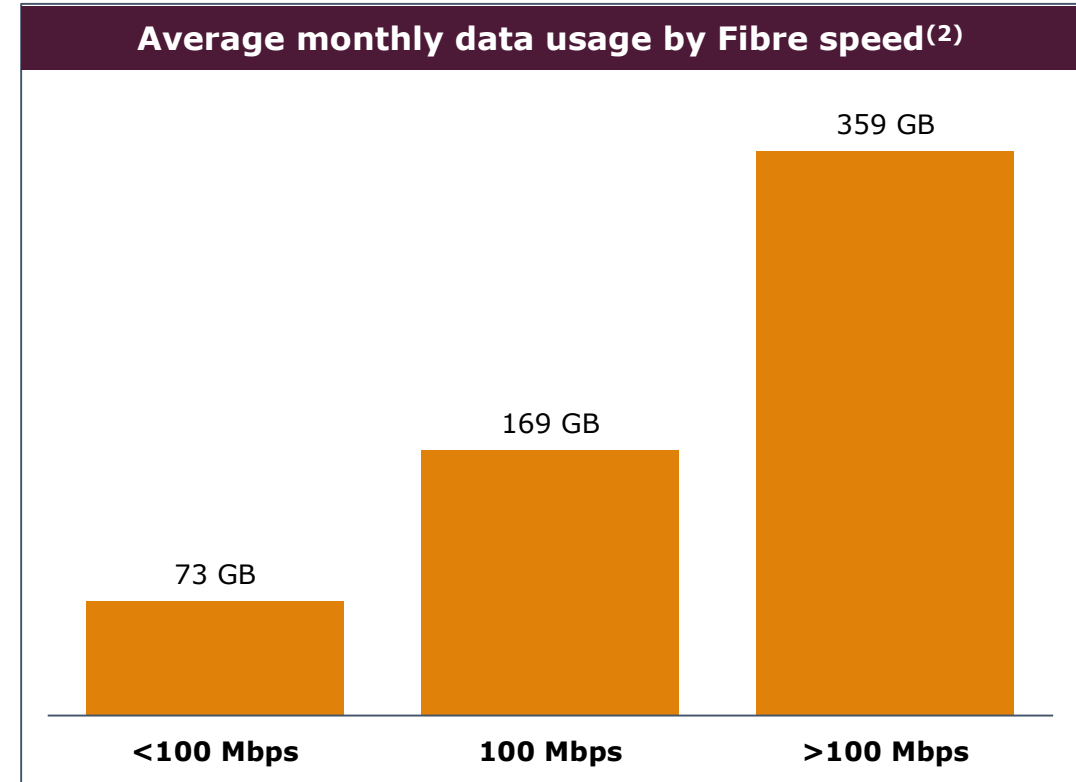
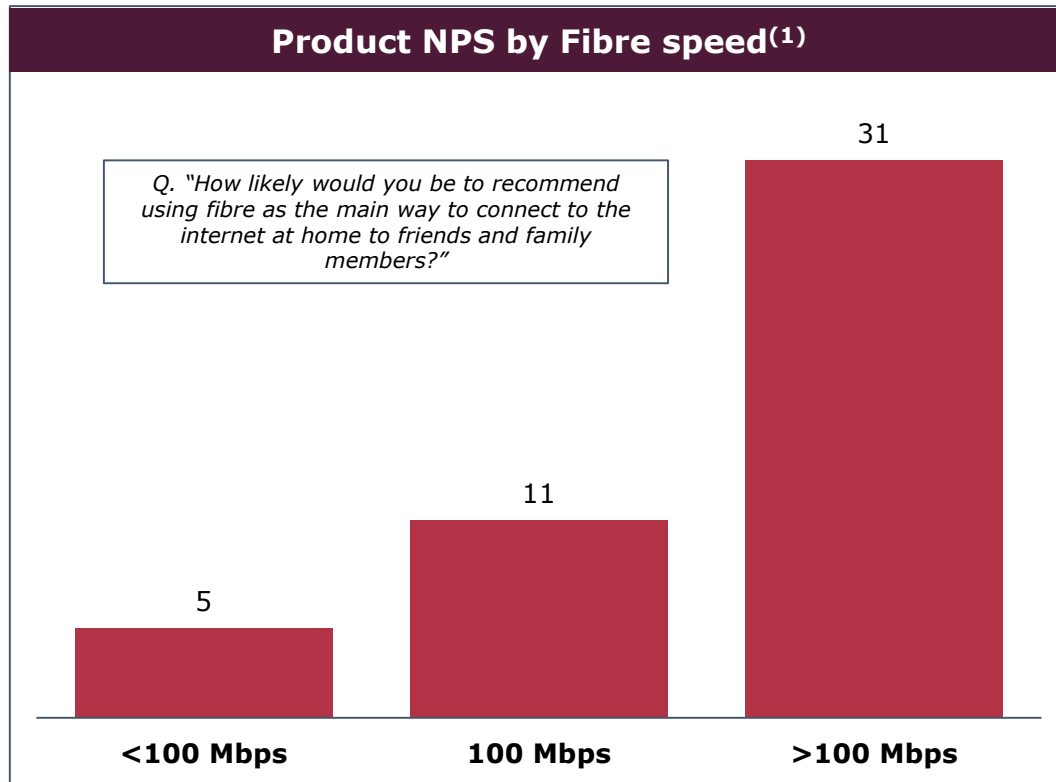
Thoughts? Suggestions?

Please reach out to your Chorus account lead by 20th February 2019.



Appendix

Both product NPS and data usage increase with higher speed fibre plans



(1) Chorus Consumer Monitor survey 12 months Nov-17 to Oct-18. Sample sizes: <100 Mbps n = 101, 100 Mbps n = 476, >100 Mbps n = 67

(2) Average monthly data downstream usage on Chorus network Nov-18

The repayment period approach

To provide confidence and make it easier to use our final offer, we will aim to provide a repayment approach that will reverse credits on a pro rata basis for first 12 months.

When will the repayment apply:

- Qualifying connections will be monitored through the period, only those downgraded or disconnected will require you to repay part of the any credit.
- The repayment pro rata calculation is based on completed months, any partial months will be taken from the last previous completed month.

Date of disconnection or downgrade from service given	Credit contribution		
	\$ 50	\$ 125	\$ 150
Under 1 month	\$50.00	\$125.00	\$150.00
1 month but less than 2 months	\$45.83	\$114.58	\$137.50
2 months but less than 3 months	\$41.67	\$104.17	\$125.00
3 months but less than 4 months	\$37.50	\$93.75	\$112.50
4 months but less than 5 months	\$33.33	\$83.33	\$100.00
5 months but less than 6 months	\$29.17	\$72.92	\$87.50
6 months but less than 7 months	\$25.00	\$62.50	\$75.00
7 months but less than 8 months	\$20.83	\$52.08	\$62.50
8 months but less than 9 months	\$16.67	\$41.67	\$50.00
9 months but less than 10 months	\$12.50	\$31.25	\$37.50
10 months but less than 11 months	\$8.33	\$20.83	\$25.00
11 months but less than 12 months	\$4.17	\$10.42	\$12.50

Q&A

1. Why are you focusing on the 100Mbps+ and Gig/FibreMAX plans?

We want to make sure customers are getting a great fibre experience. With many customers coming off VDSL, which can provide speeds well in excess of entry-level Fibre plans we want to ensure they get a great experience when adopting fibre.

2. Can an order receive both the 'Connect to 100M+' and 'Get to the Gig' incentives?

Yes, providing a new connect is on a FibreMAX plan and the thresholds for both incentives are reached, then the order will receive both incentive payments.

3. Why are you introducing thresholds for your incentives?

We are introducing thresholds to encourage RSPs to take actions above business-as-usual and allows us to provide higher incentives to those that do take action.

4. Over what period will you assess the thresholds, a week, a month, or 3-months?

We are proposing to assess the thresholds over 3-months to minimise the possibility of gaming individual periods.

5. When will you make incentive payments?

As we won't be able to assess threshold achievement until the end of the period, we expect to make payments at the end of the period in July.

6. How will we know how we're performing against the thresholds?

We plan to provide regular reporting to RSPs about their performance against the thresholds.

7. How have you chosen these threshold levels?

We took into consideration the current order mix across the industry, the opportunities for upgrades on both the existing base and Gigatown, as well as the opportunity the incentive payments give RSPs.

8. Which orders are counted when calculating the thresholds?

All New Connect, Upgrades and Transfers are counted when calculating the mix threshold.

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