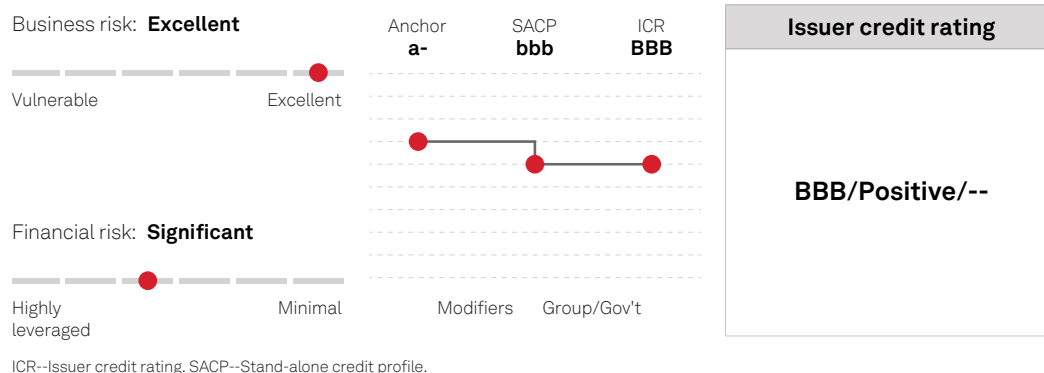


Chorus Ltd.

October 13, 2026

This report does not constitute a rating action.

Ratings Score Snapshot



Primary Contact

Ieva Erkule
Melbourne
61-3-9631-2085
ieva.erkule
@spglobal.com

Secondary Contact

Richard P Creed
Melbourne
61-3-9631-2045
richard.creed
@spglobal.com

Credit Highlights

Overview

Key strengths

Near monopoly over the fixed-line telecommunications wholesale access network in New Zealand.

Regulatory framework that supports predictability and stability of earnings and cash flow.

Strong balance sheet and material leverage headroom.

Credit-supportive financial policies.

Key risks

Network volume risks associated with wireless substitution and copper line loss to local fiber companies.

Organic growth potential of fiber network, limited by number of households.

Chorus Ltd. will maintain significant headroom under the 'BBB' rating despite a material increase in our adjusted debt following a reclassification of NIFF securities to debt from equity. Following the New Zealand government's recent sale of National Infrastructure Funding and Financing (NIFF) securities to financial investors in August 2026, we revised our treatment of the NZ\$683 million of NIFF equity securities from 100% equity to 100% debt.

We had anchored our high equity assessment of these securities to the condition of their held by, or on behalf of, the government. Following the sale, this condition is no longer met. The NIFF securities were originally issued by Chorus in favor of the government to provide funding for the buildout of the (UFB) network.

The reclassification materially increases Chorus' adjusted debt as a result. We now expect our ratio of adjusted funds from operations (FFO) to debt to fall from a presale 17% to slightly over 13% over the next two years. This is just in line with our rating upside trigger of above 13%.

The positive outlook on Chorus reflects our view that strong regulated cash flow, prudent capital management, and robust balance sheet will support a rating upgrade to 'BBB+' over the next 12 months. Although the company has a record of discipline in shareholder returns and financial policy decisions, an important consideration for rating upside is clarity of the likely outcome of the next regulatory period, Price-Quality Path 3 (PQP3), starting Jan. 1, 2029 and the subsequent impact on Chorus' credit metrics, including the supportiveness of its financial policies.

The regulator is expected to extend the upcoming PQP3 to a five-year term (January 2029-December 2034), from four years. As the consultation process evolves, monitoring points include stability of the regulated asset base, any changes to the weighted average cost of capital (WACC) inputs and calculation methodology, allowed expenditure, and the resulting revenue path.

Chorus' earnings will benefit from regulatory certainty until end-2028. The regulatory regime applicable to Chorus' fiber network determines an annual maximum allowable revenue that Chorus can earn over each regulatory period. Chorus has regulatory certainty until the end of 2028. The company entered the four-year regulatory period PQP2 (Price-Quality Path 2) on Jan. 1, 2025, and the New Zealand Commerce Commission has applied a revenue cap of NZ\$4.1 billion over this period to Dec. 31, 2028.

A wash-up mechanism adjusts for any under or over recovery of revenue arising from differences between projected and actual demand. This adds a layer of earnings certainty.

Chorus' utility-like business will continue to underpin its credit quality. This business has high predictability of earnings and low volatility. Chorus' continued transition to a utility-like mode with a strong regulatory framework that delivers highly predictable earnings and low volatility could allow the company to accommodate higher debt, in our view.

Further supporting this is a robust business risk profile, driven by a near-monopoly over New Zealand's fixed-line wholesale access network and high barriers to entry. Chorus' regulated fiber revenue could increase to 84%-87% of total revenue over the next two years, given the company aims to retire its remaining copper network by 2028.

While substitution risk from alternative technologies remains manageable, the potential for wireless fixed and satellite substitution remains a key long-term technological risk to Chorus and its fiber dominance.

Outlook

The positive outlook reflects our view that the group's strong regulated cash flow, prudent capital management, and robust balance sheet could support us raising the long-term rating on the group to 'BBB+' over the next 12 months. This would entail Chorus' FFO-to-debt ratio staying above 13%.

Downside scenario

We could revise the outlook to stable if we believe Chorus' FFO-to-debt ratio will trend to 13% or below.

This could occur if:

- An adverse regulatory outcome occurs that reduces earnings and cash flow.
- We do not consider Chorus' financial policy to be supportive of a higher rating, including significant debt-financed returns to shareholders, growth capital expenditure (capex), or acquisitions.

Upside scenario

We may raise the rating to 'BBB+' over the next 12 months if we expect Chorus to maintain its ratio of FFO to debt above 13%, supported by robust financial policies.

Inherent to our view of potential rating upside is that the company does not materially expand into unregulated businesses, or the regulatory regime evolves in a manner that materially reduces the predictability and sustainability of the group's earnings and cash flow.

Our Base-Case Scenario

Assumptions

- New Zealand's GDP to grow 2.5% in 2026 and 2.5% in 2027, up from 0.7% in 2025.
- Annual revenue growth of 2%-3% in fiscal 2027-2028 (year-end June 30), supported by increasing fiber-based revenues (fiber broadband and fiber premium). Copper-based revenues to continue to decline.
- Modest EBITDA growth of 2% in fiscal 2027 and 4% in fiscal 2028.
- EBITDA margins of about 70% over the next three years.
- Annual capex of NZ\$370 million-NZ\$380 million over the next three years. Of this, capex of NZ\$195 million-NZ\$215 million to maintain existing infrastructure.
- Dividends of 62 cents per share in fiscal 2027, subject to no material adverse changes in circumstances or outlook.

Key metrics

Chorus Ltd.--Forecast summary

Period ending	June-30-2025	June-30-2026	June-30-2027	June-30-2028	June-30-2029
(Mil. NZ\$)	2025a	2026a	2027e	2028f	2029f
Revenue	1,014	1,029	1,060	1,090	1,110
EBITDA	705	726	740	770	790
Funds from operations (FFO)	551	560	540	560	550
Capital expenditure (capex)	397	374	370	380	380
Debt	3,256	3,304	4,070	4,210	4,350

Chorus Ltd.--Forecast summary

Adjusted ratios

Debt/EBITDA (x)	4.6	4.6	5.5	5.5	5.5
FFO/debt (%)	16.9	17.0	13.3	13.2	12.7
FOCF/debt (%)	4.9	6.3	4.1	4.2	4.0
DCF/debt (%)	(2.0)	(1.4)	(2.5)	(2.4)	(2.3)
Annual revenue growth (%)	0.4	1.5	2.5	3.0	2.1
EBITDA margin (%)	69.5	70.6	70.0	70.7	71.3

The base case financials have been rounded off, while the ratios are the actual calculations. All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast

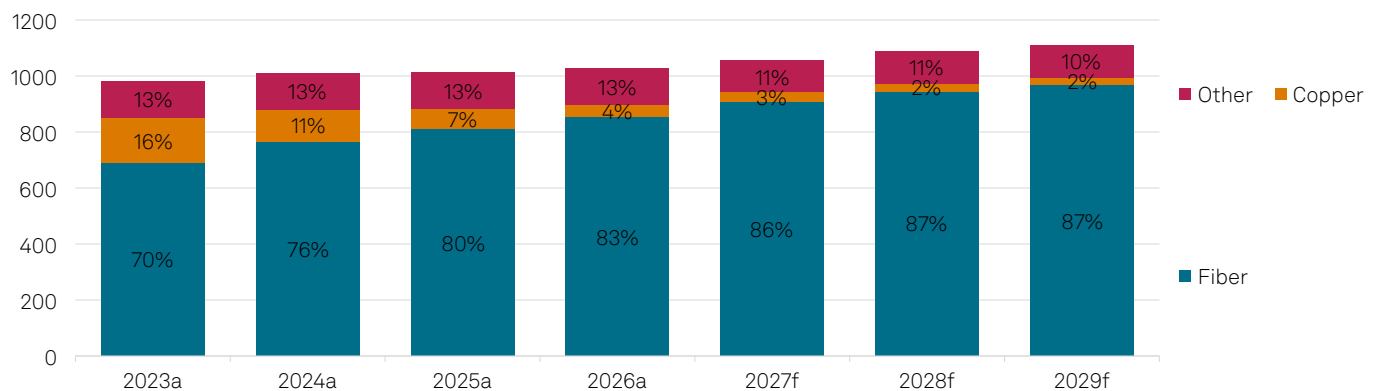
Company Description

Chorus is New Zealand's largest fixed-line wholesale communications company, including the legacy copper network (which is on the decline). The company owns the majority of telephone lines and exchange equipment in New Zealand and is responsible for building approximately 80% of the new fiber optic network. UFB1 (the original phase of the rollout), UFB2, and UFB2+ are subsequent phases announced in 2017. The government-backed UFB covers 87% of the population and fiber uptake has reached 75.6% as of June 30, 2026, in Chorus' UFB rollout areas.

In 2011, Chorus was structurally separated from Telecom New Zealand, later rebranded as Spark New Zealand prior to the UFB rollout.

Chorus Ltd's revenue contribution from fiber to increase with copper-to-fiber migration

Revenue distribution for fiscal year ending June 30



a--Actual. f--Forecast. Sources: S&P Global Ratings.

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Peer Comparison

We view Vector Ltd., Powerco Ltd., FiberCop SpA, and Crown Castle Inc. as relevant peers for Chorus, reflecting their strong positions in their respective markets.

Chorus Ltd.

Chorus’ closest peers are two regulated utilities in New Zealand: Vector Ltd. and Powerco Ltd. All three operate under a similar regulatory framework.

Like Vector and Powerco, Chorus benefits from a revenue cap that helps mitigate volume risk. However, Chorus' regulatory regime is relatively new and the company faces a level of substitution risk that its electricity counterparts do not encounter. Consequently, we consider its business profile to be somewhat weaker than that of its utility peers and therefore expect stronger credit metrics at the respective ratings to compensate for this weakness.

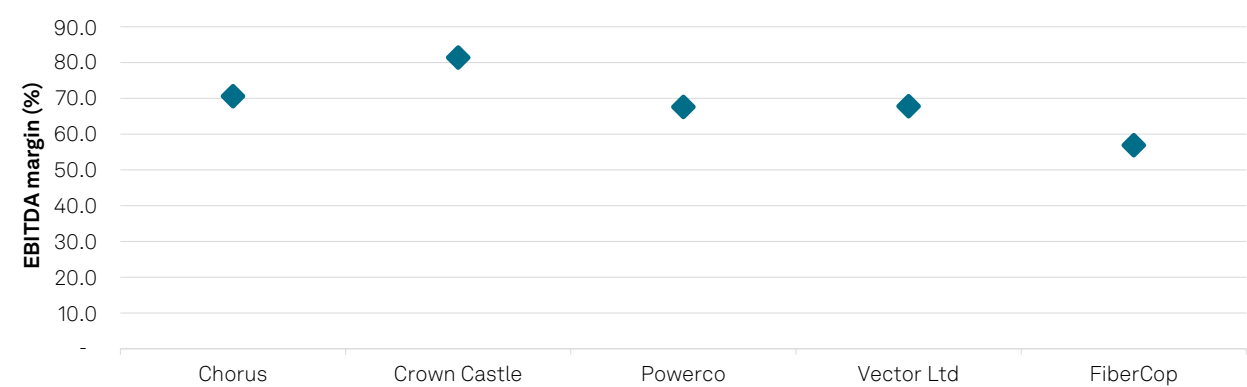
We also compare Chorus with FiberCop S.p.A., an Italian provider of fixed-line wholesale services. Although FiberCop has a weaker business risk profile than the excellent for Chorus, favorable growth trends and the potential for more flexible pricing mechanisms support our strong business risk assessment for FiberCop.

We consider the business strength of mobile tower company Crown Castle Inc. to be broadly comparable to that of Chorus. Both companies benefit from high revenue certainty, with Crown Castle having contracted revenue while Chorus has regulated revenue.

In our view, Crown Castle has a strong competitive moat. This includes high margins, low capital intensity, long-term contracts with price escalators, and high barriers to entry due to zoning requirements that contribute to an excellent business risk profile. The assessment is on par with that for Chorus.

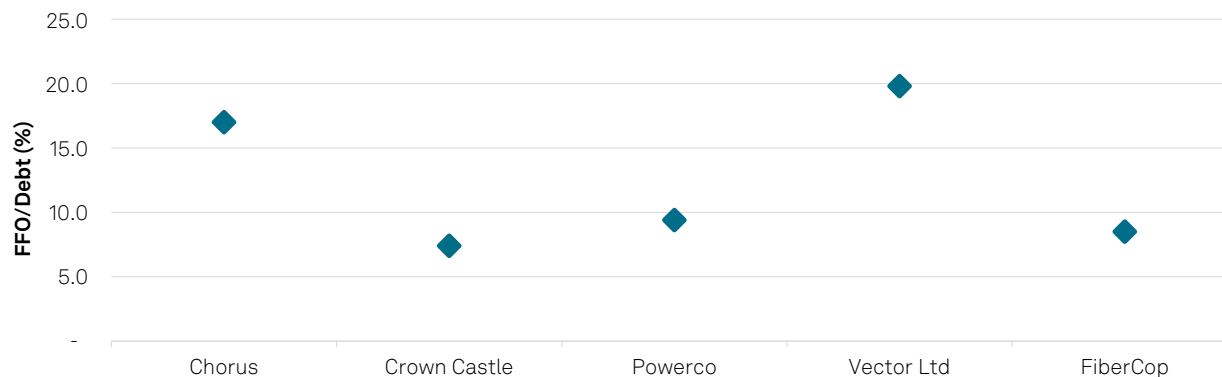
Chorus has above average margins compared to peers

As of latest FY*



*Jun. 20, 2026 for Chorus and Vector, Mar. 31, 2026 for PowerCo and Dec. 31, 2025 for Crown Castle. The figures for FiberCop are estimates for the year ending Dec. 31, 2026. a--Actual. f--Forecast. Sources: S&P Global Ratings. Copyright © 2026 by Standard & Poor’s Financial Services LLC. All rights reserved.

Chorus maintains the second lowest leverage relative to its peers



*Jun. 20, 2026 for Chorus and Vector, Mar. 31, 2026 for PowerCo and Dec. 31, 2025 for Crown Castle. The figures for FiberCop are estimates for the year ending Dec. 31, 2026. a--Actual. f--Forecast. Sources: S&P Global Ratings.

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Chorus Ltd.--Peer Comparisons

	Chorus Ltd.	Vector Ltd.	Crown Castle Inc.	Powerco Ltd.	FiberCop S.p.A.*
Foreign currency issuer credit rating	BBB/Positive/--	BBB+/Positive/NR	BBB/Stable/A-2	BBB/Stable/A-2	BB+/Stable/-
Local currency issuer credit rating	BBB/Positive/--	BBB+/Positive/NR	BBB/Stable/A-2	BBB/Stable/A-2	BB+/Stable/-
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2026-06-30	2026-06-30	2025-12-31	2026-03-31	12/31/2026
Mil.	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Revenue	1,029	773	7,411	539	-
EBITDA	726	524	6,036	365	-
Funds from operations (FFO)	560	424	3,821	232	-
Interest	226	95	2,245	135	-
Cash interest paid	162	99	2,190	133	-
Operating cash flow (OCF)	581	445	3,782	273	-
Capital expenditure	374	335	290	317	-
Free operating cash flow (FOCF)	207	111	3,492	(45)	-
Discretionary cash flow (DCF)	(47)	(154)	(163)	(75)	-
Cash and short-term investments	199	5	172	1	-
Gross available cash	199	5	172	1	-
Debt	3,304	2,142	51,659	2,475	-
Equity	1,751	3,782	(2,842)	564	-
EBITDA margin (%)	70.6	67.8	81.4	67.6	56.9
Return on capital (%)	6.1	4.3	8.3	8.3	2.4
EBITDA interest coverage (x)	3.2	5.5	2.7	2.7	2.6
FFO cash interest coverage (x)	4.5	5.3	2.7	2.7	2.7
Debt/EBITDA (x)	4.6	4.1	8.6	6.8	7.4
FFO/debt (%)	17.0	19.8	7.4	9.4	8.5

Chorus Ltd.--Peer Comparisons

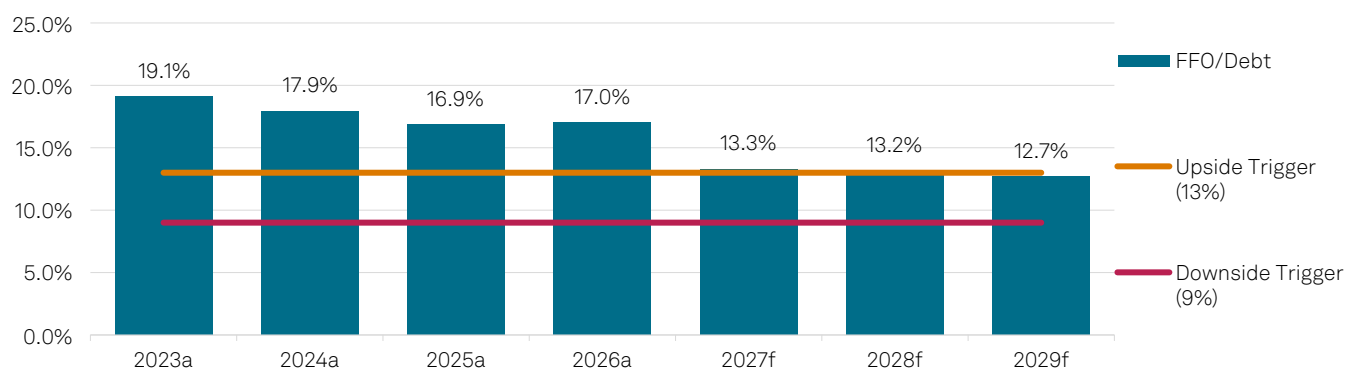
OCF/debt (%)	17.6	20.8	7.3	11.0	3.6
FOCF/debt (%)	6.3	5.2	6.8	(1.8)	-13.5
DCF/debt (%)	(1.4)	(7.2)	(0.3)	(3.0)	-13.5

*The figures for FiberCop are estimates for the year ending Dec. 31, 2025

Financial Risk

The positive outlook reflects our view that the group's strong regulated cash flow, prudent capital management, and robust balance sheet could support a rating upgrade to 'BBB+' over the next 12 months. This would entail Chorus maintaining an FFO-to-debt ratio of above 13%.

Chorus' leverage expectations



a--Actual. f--Forecast. Sources: S&P Global Ratings.

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We make several adjustments to Chorus' reported debt to calculate our financial ratios.

Material adjustments to our fiscal 2027 metrics include:

- Lease liabilities of about NZ\$150 million.
- Hybrid capital: We treat the company's new NZ\$170 million subordinated capital notes as 50% equity and 50% debt.
- We will treat the NIFF equity securities as 100% debt and the net present value of the NIFF debt securities as 100% debt.
- Surplus cash: We assume all cash and liquid investments are immediately available for debt repayment.
- Adjusted EBITDA does not include any material S&P Global Ratings adjustments.

Debt maturities

Drawn debt	% of total	(Mil. NZ\$)
Within 1 year	0.0%	96.9
2 years	15.0%	200.0
3 years	12.2%	500.0

Chorus Ltd.

Drawn debt	% of total	(Mil. NZ\$)
4 years	14.6%	924.4
5 years	27.0%	525.0
Thereafter	31.2%	1368.2
Total		3,614.5

* As of June 30, 2026

Chorus Ltd.--Financial Summary

Period ending	June-30-2021	June-30-2022	June-30-2023	June-30-2024	June-30-2025	June-30-2026
Reporting period	2021a	2022a	2023a	2024a	2025a	2026a
Display currency (mil.)	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Revenues	947	965	980	1,010	1,014	1,029
EBITDA	649	676	674	700	705	726
Funds from operations (FFO)	550	562	531	534	551	560
Interest expense	159	151	207	226	218	226
Cash interest paid	98	100	139	166	154	162
Operating cash flow (OCF)	554	568	523	512	557	581
Capital expenditure	647	518	495	442	397	374
Free operating cash flow (FOCF)	(93)	50	28	70	160	207
Discretionary cash flow (DCF)	(179)	(85)	(233)	(134)	(64)	(47)
Cash and short-term investments	53	88	76	45	81	199
Gross available cash	53	88	76	45	81	199
Debt	2,723	2,602	2,776	2,980	3,256	3,304
Common equity	948	1,029	1,063	841	1,242	1,751
Adjusted ratios						
EBITDA margin (%)	68.6	70.0	68.7	69.3	69.5	70.6
Return on capital (%)	6.2	6.8	6.2	6.3	5.6	6.1
EBITDA interest coverage (x)	4.1	4.5	3.3	3.1	3.2	3.2
FFO cash interest coverage (x)	6.6	6.6	4.8	4.2	4.6	4.5
Debt/EBITDA (x)	4.2	3.9	4.1	4.3	4.6	4.6
FFO/debt (%)	20.2	21.6	19.1	17.9	16.9	17.0
OCF/debt (%)	20.3	21.8	18.8	17.2	17.1	17.6
FOCF/debt (%)	(3.4)	1.9	1.0	2.3	4.9	6.3
DCF/debt (%)	(6.6)	(3.3)	(8.4)	(4.5)	(2.0)	(1.4)

Reconciliation Of Chorus Ltd. Reported Amounts With S&P Global Adjusted Amounts (Mil. NZ\$)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	June-30-2026									
Company reported amounts	4,262	1,030	1,029	726	287	227	726	740	254	375
Cash taxes paid	-	-	-	-	-	-	(4)	-	-	-

Reconciliation Of Chorus Ltd. Reported Amounts With S&P Global Adjusted Amounts (Mil. NZ\$)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Cash interest paid	-	-	-	-	-	-	(161)	-	-	-
Lease liabilities	147	-	-	-	-	-	-	-	-	-
Equity-like hybrids	(683)	683	-	-	-	-	-	-	-	-
Intermediate hybrids (debt)	(38)	38	-	-	-	(2)	-	-	-	-
Accessible cash and liquid investments	(199)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	1	(1)	(1)	-	(1)
Nonoperating income (expense)	-	-	-	-	3	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(158)	-	-
Debt: Foreign currency hedges	(186)	-	-	-	-	-	-	-	-	-
Total adjustments	(959)	721	-	-	3	(1)	(166)	(159)	-	(1)
S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	3,304	1,751	1,029	726	290	226	560	581	254	374

Liquidity

We consider Chorus' liquidity to be adequate, reflecting our expectation that the group's sources of liquidity will cover its uses by about 1.2x over the 12-month period ending June 30, 2027. We also expect the company's net sources to remain positive even if EBITDA were to decline by 15%.

Also supporting the group's liquidity are its sound relationships with banks and its generally high standing in credit markets. Chorus has accessed funding in the domestic New Zealand, Australian, and euro medium-term note markets. The group had the following sources and uses of liquidity as of June 30, 2026.

Principal liquidity sources	Principal liquidity uses
- Cash and cash equivalents of about NZ\$200 million. - Undrawn committed bank facilities of about NZ\$450 million, expiring beyond 12 months. - Cash funds from operations of NZ\$500 million-NZ\$540 million. - Minimal working capital inflows.	- NZ\$97 million debt maturing within the 12 months. - Capex of NZ\$375 million over the same period. - Dividends of 62 cents per share over the same period.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of June 30, 2026, Chorus' capital structure consisted of €950 million medium-term notes, A\$300 million medium-term notes, NZ\$900 million New Zealand domestic bonds, NZ\$170 million of subordinated capital notes, that receive intermediate equity credit.

Chorus' capital structure also includes NIFF equity securities of about NZ\$683 million. We treat this as 100% debt in our credit metrics from fiscal 2027 onward (not rated). It also includes the net present value of the NIFF debt securities of about NZ263 million (not rated).

Analytical conclusions

We rate Chorus' senior unsecured bonds at 'BBB', the same as the long-term issuer credit rating. This is given the debt is senior, with no significant elements of subordination risk present.

We rate the subordinated debt two notches below at 'BB+'. This is given the debt's subordinated nature and deferability characteristics.

The subordinated notes have a final maturity of 31 years on June 3, 2056, with a 25 basis point (bp) step-up in year 11 (2036) and another 75 bp step-up in year 26 (2051). While our long-term issuer credit rating on Chorus is in the 'BBB' rating category or higher, we will reclassify the capital notes as having no equity content from intermediate when the period remaining to effective maturity is less than 20 years (2031).

Rating Component Scores

Foreign currency issuer credit rating	BBB/Positive/--
Local currency issuer credit rating	BBB/Positive/--
Business risk	Excellent
Country risk	Low
Industry risk	Low
Competitive position	Excellent
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	a-
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Negative (-1 notch)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	bbb

Related Criteria

- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024

Related Research

- [Chorus Ltd. Outlook Revised To Positive On Updated Methodology: 'BBB' Rating Affirmed; Off UCO](#), Nov. 10, 2025

Ratings Detail (as of October 11, 2026)*

Chorus Ltd.	
Issuer Credit Rating	BBB/Positive/--
Senior Unsecured	BBB
Subordinated	BB+
Issuer Credit Ratings History	
10-Nov-2025	BBB/Positive/--
03-Dec-2014	BBB/Stable/--
22-May-2014	BBB/Negative/--
*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.	

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