



21 August 2023

Chorus delivers solid full-year result as Kiwis continue to favour fibre broadband

Highlights

- **Fibre uptake:** 73% in UFB areas, with UFB fibre rollout now complete
- **Fibre growth:** added 72,000 fibre connections in FY23, totalling 1,031,000
- **Fibre plans:** 91% of residential and business connections above 300Mbps
- **Revenue:** grew to \$980m from \$965m in FY22
- **EBIT:** down to \$226m from \$248m in FY22
- **Net profit:** down to \$25m from \$64m in FY22
- **Dividend:** 42.5 cents per share, unimputed for FY23

In FY23, Chorus demonstrated resilience as an essential utility provider amidst economic volatility, inflation, and uncertainty. As recent weather events have shown, Kiwi homes and businesses increasingly rely on fast, reliable broadband connections to live, learn, work and play.

Financial overview

Increased fibre connections, the uptake of high-speed plans and inflation-linked price changes saw underlying revenue grow to \$981m from \$959m in FY22.

Despite inflationary pressures, underlying operating expenses remained stable at \$299m. The operating results led to an underlying FY23 EBITDA of \$682m, a \$22m increase from the FY22 EBITDA of \$660m.

Reported EBITDA was \$672m, including \$10m in one-off costs for extreme weather events and changes to Chorus' operating model. Net profit after tax (NPAT) was \$25m, down from \$64m in FY22.

Continuing growth in data usage

In July, residential and business fibre customers on the Chorus network used an average of 595GB of data. Average data usage is near where it peaked during the Auckland Covid-19 lockdown in September 2021. Forty-five per cent of all traffic on Chorus' network is streaming video.

Chorus CEO JB Rousselot commented: "There is an apparent pent-up demand for 4K content with nearly a third of households in New Zealand having a main TV that is 4K capable.

"While 4K content offerings in New Zealand lag other markets, especially in live sports, we expect to see a significant impact on broadband network capacity as these higher resolution streams become available."

Transition to an all-fibre digital infrastructure company

With the ultra-fast broadband rollout finished and the new regulatory regime for fibre established, Chorus is transitioning to focus more on operating the network. “Customers value fibre above other technologies as it offers fast, reliable, and resilient service,” said Rousselot.

“Where the long-term value of the connection justifies the cost, we’re willing to invest in connecting more addresses or locations to fibre, and our new operating model aligns with this strategy.

“This willingness to invest is demonstrated by our upgrading our existing fibre footprint to Hyperfibre multi-gigabit capability and increasing metro data capacity fourfold to ensure New Zealanders continue to have access to world-class digital infrastructure.”

Fibre connections on Chorus’ network grew to 1,031,000 in existing ultra-fast broadband areas and competitively won new property developments. Chorus CEO JB Rousselot commented, “We strongly believe fibre remains the most effective technology choice for most New Zealanders.

“I’m particularly pleased to see our entry-level fibre plan, Home Fibre Starter, growing strongly with 16,000 connections. It is a plan aimed at price-conscious customers with lighter broadband needs.”

Ninety-one per cent of residential and business plans are on speeds of 300Mbps or above.

Call for more transparent consumer choices

Data consumption trends continue to reinforce the competitive positioning and the future-proof nature of fibre compared to other technologies.

“It is disappointing to see some retailers not offering all our products to their customers, especially the low-cost Home Fibre Starter service or our multi-gigabit Hyperfibre range,” said Rousselot.

“It is often too hard for consumers to find our full range of fibre products, which is unfair as ultimately there is no such thing as ‘fibre-like’. Either you’re on fibre, or you’re not.”

Copper retirement

The migration to fibre saw Chorus’ copper broadband and voice connections reduce by about a third, or 104,000. About 240,000 copper connections remain. With copper nearing the end of its technological life New Zealanders without access to fibre will need to consider alternative technologies.

“With the ongoing shift to fibre and the rise of alternative wireless and satellite broadband options in rural areas, we’re now on a clear path toward the full retirement of the copper network in New Zealand,” said Rousselot.

“By the end of 2026, we aim to have fully withdrawn copper voice and broadband services in our fibre areas, paving the way for a more reliable digital experience.

“Copper is increasingly unsuited to customers’ growing broadband needs. We believe fibre could and should extend further to help bridge the digital divide between urban and rural communities. We’re currently exploring extending fibre to 10,000 premises beyond UFB areas and considering how Chorus might play a part in a wider extension with the right investment incentives.”

Tracking towards sustainability targets

Chorus is committed to making a positive impact on the environment and society. In FY23, the company achieved a 5% reduction in electricity usage, attributed mainly to our copper withdrawal programme, which saw the retirement of a further 414 broadband cabinets in FY23. Chorus' Scope 1 and 2 emissions fell by 24% from the year before.

“It was another record year for total data traffic on our network at 7,402 petabytes, up from 7,140 petabytes. Despite this growth, fibre's efficiency means we can carry more data with less emissions. We're also exploring renewable energy sources for the network and plan a solar photovoltaics trial on exchange buildings.

“While pleased with our progress, we acknowledge that we are in the early stages of our environmental and social impact journey. We have set ambitious targets for 2030, and although we've made strides this year, we recognise that there is much more for us to do in the ongoing pursuit of our sustainability targets,” said Rousselot.

Dividend

Chorus will pay a final dividend of 25.5 cents per share, unimputed, on 10 October 2023, bringing total dividends for FY23 to 42.5 cents per share.

FY24 guidance

FY24 guidance is subject to no material changes in regulatory or competitive outlook.

- EBITDA: \$680—\$700 million
- Capital expenditure: \$400—\$440 million
- FY24 dividend: 47.5 cents per share, unimputed

ENDS

Chorus Chief Executive JB Rousselot and Chief Financial Officer Mark Aue will discuss the full-year results from 10.00 am today, NZST, at www.chorus.co.nz/webcast

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