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Fibre growth underpins another steady Chorus result

Key HY25 results

- Increase in fibre connections: by 14,000 to a total of 1,098,000
- Fibre uptake increased to 71.7% of addresses
- Remaining copper connections: down 22% to 123,000
- Monthly average data use on fibre at a record 644GB in December
- Operating revenue \$500m (HY24: \$503m)
- EBITDA¹ \$346m (HY24: \$347m)
- Net loss after tax \$5m (HY24: net profit \$5m)
- Unimputed interim dividend of 23 cents per share

Chorus has released another steady financial result for the six months ended 31 December 2024, despite the challenges of New Zealand's prolonged economic recession.

EBITDA was \$346 million for HY25, just below HY24 EBITDA of \$347 million. Revenues of \$500 million were down \$3 million from HY24 largely due to the ongoing decline in legacy copper connections and revenues.

New property development revenues were about \$2 million lower due to the slowed economy, while there was strong growth in the lower revenue 50Mbps broadband plan largely reflecting cost-of-living pressures. About 21,000 residential connections were added to this plan in HY25, while business and residential fibre connections on plans of 500Mbps or more grew by 17,000 lines. Multi-gigabit Hyperfibre connections continued to grow in popularity and recently passed 5,000 lines. About a quarter of residential customers are on 1Gbps speeds or faster.

Total fibre connections grew by 14,000 lines in the six months, with fibre uptake lifting to 71.7 per cent of the more than 1.5 million addresses passed. This growth in connections helped lift fibre broadband revenues to \$361 million, up \$20 million from HY24, and accounted for 72% of total revenues.

Operating expenditure of \$154 million was \$2 million lower than HY24, as Chorus' strategy to simplify its business and reduce legacy costs helped offset inflationary cost pressures and costs to explore new revenue opportunities.

¹ Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure without a standardised meaning for comparison between companies. 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. EBITDA is reconciled in the Notes on page 11 of the HY25 half year financial statements.

Gross capital expenditure was \$199 million, down \$33 million from HY24, reflecting disciplined cost control and fewer fibre installations.

The acceleration of depreciation on copper-related assets, as Chorus retires its legacy copper network, drove a net loss after tax of \$5 million, compared to a profit of \$5 million in HY24.

Copper retirement accelerates in fibre areas

New Zealand is amongst global leaders for the uptake of fibre and would rank fourth amongst European telco networks - behind Portugal, Sweden and Spain, but just ahead of Bulgaria – for copper retirement.

Chorus CEO Mark Aue said Chorus is making rapid progress in its shift to become a simpler all-fibre digital infrastructure company, with just 10% of Chorus' connections remaining on copper.

“We’ll soon have issued closure notices to all the copper customers in our fibre areas. We expect those remaining 28,000 copper connections to have been withdrawn by the end of FY26, about six months earlier than we’d originally planned.

“The benefits of this programme include significantly fewer network faults and an almost four per cent reduction in our electricity usage compared to HY24,” he said.

Chorus has approximately 80,000 copper connections remaining outside of areas where fibre is currently available. This total has reduced by 21% in the last year as customers migrate to better alternative technologies. The number of addresses without fibre available is shrinking further as Chorus completes its project to take fibre to approximately 10,000 more premises across 59 communities by mid-2025. About 40 per cent of these premises have registered their interest in connecting and 500 are already connected.

The Commerce Commission is scheduled to review the possible deregulation of copper services in non-fibre areas by the end of 2025. Chorus is targeting the retirement of the copper network by 2030.

Average data usage keeps growing, with more daytime peaks

Average monthly usage for fibre connections grew to an all-time high of 644 gigabytes (GB) in December, with 17.5% of fibre users consuming more than 1,000GB. This is expected to be the monthly average across all fibre customers by 2029, underpinned by more customers switching their TV viewing from broadcast to streaming platforms.

Most of this data usage is occurring during peak times, with average daily peak traffic 10 per cent higher in HY25 than during HY24. Chorus is seeing a growing number of peak traffic events, with 10 events in HY25, up from just four in HY24. While Fortnite upgrades have

been the main driver of these peaks in the past, live sporting events like Netflix's boxing match in November are emerging as another common contributor.

"Fibre is made to deliver the consistent and reliable service needed to support these significant bandwidth events. That's why we're doing more to help educate customers about the benefits of fibre compared to other broadband technologies," Aue added.

Chorus launches proof-of-concept trial for digitally excluded households

As part of its newly established purpose - "Unleashing potential through connectivity. Enabling better futures for Aotearoa" - Chorus looks to address growing digital affordability and equity challenges.

"Recent statistics show nearly 400,000 households in New Zealand are unable to afford meaningful digital access. In the case of digital exclusion, we recognise the potential role we can play in driving positive social outcomes, both through and beyond connectivity," says Aue.

Over the next six months, Chorus will work with retail service providers in a proof-of-concept that aims to initially bring an equitable fibre product to 1,500 low-income and digitally excluded households.

"The results of this will inform our ability to play a broader role across the industry," Aue said.

Dividend and FY25 guidance

Chorus has confirmed it will pay an unimputed interim dividend of 23 cents per share in April 2025. The dividend reinvestment plan remains suspended.

FY25 guidance is subject to no material adverse changes in circumstances or outlook.

- **Dividend:** 57.5 cents per share, unimputed, with 23 cents to be paid on 15 April 2025
- **EBITDA:** unchanged \$700 million to \$720 million – tracking to lower half of range
- **Gross capital expenditure:** unchanged \$400 million to \$440 million
- **Sustaining capital expenditure** unchanged \$200 million to \$220 million – tracking to lower half of range

ENDS

Chorus Chief Executive Mark Aue and Chief Operating Officer Drew Davies will discuss the HY25 result at a briefing from **10.00 am on Monday, 24 February 2025** (NZDT). The webcast will be available at www.chorus.co.nz/webcast.

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