

21 February 2022

Solid result, regulatory clarity and credit rating changes lift dividend

Key results

- Fibre connections increased by 47,000 to 918,000
- Fibre uptake 67% in completed UFB areas (June 2021: 65%)
- 23% of mass-market fibre connections on gigabit plans
- Net profit after tax \$42m (HY21: \$27m)
- EBITDA \$347m (HY21: \$328m restated)
- Operating revenue \$483m (HY21: \$478m restated)
- Credit rating thresholds lifted by S&P and Moody's
- FY22 EBITDA guidance increased to \$665m to \$685m
- FY22 dividend guidance increased to 35 cents, from 26 cents
- Interim dividend of 14 cents per share
- \$150m share buyback announced

Chorus delivered a solid first-half financial performance for the six months ended 31 December 2021 despite COVID disruptions.

Net profit after tax (NPAT) was \$42m, and earnings before interest, tax, depreciation and amortisation (EBITDA) was \$347m for the period. EBITDA for the half-year included \$15m of one-off benefits from a Holidays Act provision and other appropriations. The underlying EBITDA was \$332m for HY22 compared with \$328m in the same six months in FY21¹.

Operating revenues for the period were up slightly at \$483m (HY21: \$478m restated), primarily due to gains from our ongoing network optimisation programme.

Fibre uptake passes the two-thirds mark

Chorus CEO JB Rousselot said he was pleased with the continued broadband growth in the company's fibre areas.

"The continued growth in fibre demand is a testament to the reliability fibre broadband is delivering through the challenges of the ongoing COVID pandemic.

"We saw the lockdowns and other public restrictions in the first-half ramp up the average data usage on fibre to new record highs of more than 600 gigabytes per month.

¹ Previously reported HY21 EBITDA of \$323 million has been increased to \$328 million to reflect a prior period restatement. This reflects an ongoing change in accounting treatment of field services revenue for roadworks that increased HY21 revenue by \$5 million. Refer to page 12 of the HY22 investor presentation for the detailed accounting adjustments. Half year results are unaudited.

“Our fibre rollout is now close to completion with just 30,000 or so premises left to pass. More than 1.3 million homes and businesses have fibre at their doorstep; of these 67 per cent have now chosen to connect.

“During the first half of the year, we saw fibre connections grow by 47,000 to 918,000, and we’re on track to achieve our target of one million fibre connections by the end of the year.”

Big fibre boost for fibre customers

Chorus upgraded more than 600,000 homes and businesses on fibre to even better speeds in December.

“Our big fibre boost was the largest-ever performance upgrade for fibre customers. Working closely with broadband retailers, residential customers on a 100 Mbps fibre plan can now access 300 Mbps, while the upload speed increased five-fold from 20 Mbps to 100 Mbps”, said Mr Rousselot.

“This upgrade builds on our purpose to ensure that New Zealanders have access to the best of internet connectivity.”

When Chorus first started building the fibre network in 2011 across New Zealand, it was ambitious in wanting New Zealand to be envied globally for its broadband. In December, as retailers made the upgrade available to their customers, New Zealand catapulted up the world’s fixed-line broadband rankings, from 22nd place to 11th, based on Ookla’s Global Speed Test.

Dividend guidance increased, share buyback announced

With Chorus on the cusp of becoming free cash flow positive and beginning to earn more than it is investing in the network, it has updated dividend guidance for the next three years.

“Throughout the decade-long fibre build, our shareholders have seen their returns constrained. They endured two years of no dividend payments during the copper pricing review and then the impact of the delayed implementation of the new regulatory framework.

“In that same time, shareholders have also helped further fund the fibre rollout by providing \$279 million through the dividend reinvestment plan”, said Mr Rousselot.

The finalisation of crucial inputs for the new regulatory framework, together with the subsequent increase in credit thresholds for Chorus by ratings agencies, means Chorus now can increase returns to shareholders as network investment demands reduce.

Updated dividend guidance:

- **FY22:** 35 cents
- **FY23:** a minimum of 40 cents
- **FY24:** a minimum of 45 cents

In addition to the increased dividend, Chorus has also announced a share buyback of up to \$150m. The buyback follows the increase in the credit rating thresholds and is a tax-efficient

allocation of surplus capital that will help boost future earnings per share and imputation credit reserves.

Chorus will pay an interim dividend of 14 cents per share, fully imputed, on 12 April 2022 to all shareholders registered at 5.00 pm on 15 March 2022. A dividend reinvestment plan is available, with no discount rate applied, for shareholders who prefer to increase their shareholding rather than receive a cash dividend. Applications must be received by 5.00 pm (NZ time) on 16 March 2022.

FY22 guidance

- EBITDA: Increased to \$665m to \$685m, previously \$640m to \$660m
- Capital expenditure: Decreased to \$520m to \$560m, previously \$550m to \$590m
- Dividend: Increased to 35 cents, with 14 cents to be paid in April

ENDS

Chorus Chief Executive JB Rousselot, and Chief Financial Officer, David Collins, will discuss the half-year results at a briefing in Wellington from 10.00 am on Monday 21 February 2022 (NZDT). The webcast will be available at www.chorus.co.nz/webcast.

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