



22 August 2022

## Data demand and fibre uptake underpin solid financial performance for Chorus

### Summary

- UFB uptake is 69 per cent; Chorus' fibre rollout is 98 per cent complete
- 88,000 fibre connections added, a total of 959,000 connections
- Over 90% of fibre consumers are on 300 Mbps or above services
- Reported revenue was \$965m (restated FY21: \$955m)
- Earnings before interest and tax of \$248m (FY21: \$230m)
- Net profit after tax was \$64m (restated FY21: \$51m)
- FY22 dividend 35 cents per share; guidance for FY23 and FY24 increased

Chorus' focus in FY22 was to keep on bringing the benefits of fibre broadband to more Kiwis while pushing toward our goal of one million fibre connections by December. COVID-related constraints continued to make this challenging with lengthy lockdowns, followed by the ongoing effects of illness on the workforce and reduced consumer activity, but we still delivered solid numbers.

Continued strong growth in demand for fibre broadband delivered underlying revenue of \$959 million, up from restated \$955 million in FY21<sup>1</sup>. Careful cost management partly mitigated inflationary and COVID pressures to achieve underlying operating expenses of \$299 million, up \$1 million from FY21. This produced underlying FY22 EBITDA of \$660 million, up \$3 million from restated FY21 EBITDA of \$657 million<sup>1</sup>.

A further \$6 million of revenue from our network optimisation programme and a legal settlement, together with the release of a \$9 million holiday pay provision, achieved reported EBITDA of \$675 million. Net profit after tax was \$64 million compared to restated total of \$51 million in FY21.

The strong result has enabled Chorus to return to earning more than it was investing in the network for the first time in a decade. This has facilitated a dividend of 35 cents for FY22 and increased dividend guidance for FY23 and FY24.

Speaking about the results, Chorus CEO JB Rousselot said, "FY22 was a crossroads year for Chorus with the core elements of our utility-style regulatory framework now settled and the finish line in sight for our 11-year fibre rollout."

In December, Chorus' Big Fibre Boost drove a significant change in the speed profile of consumer and business fibre plans, moving the country onto a new data growth path and to the top tier of global broadband rankings. Almost 70 per cent of residential fibre users went from 100 megabits-per-second (Mbps) to 300 Mbps. Another 23% of consumers are on 1 gigabit per second (Gbps) plans.

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<sup>1</sup> Previously reported FY21 results have been restated due to an ongoing change in the accounting treatment of field services revenue for roadworks. Refer to page 34 of the 2022 Chorus Annual Report for the detailed accounting adjustments.

"In the latest global fixed broadband rankings from Ookla, New Zealand has moved up two places to 10th; we were 29th in July 2021. This shift puts us just behind Japan.

Chorus' transition from network builder to a more operational future is well underway and its refreshed strategic focus is *'to connect Aotearoa so that we can all live, learn, work and play'*.

"Our fibre rollout is now 98 per cent complete, and we have just 17,000 premises left to pass by Christmas. We added 88,000 new fibre connections to the network, and overall uptake increased from 65 per cent to 69 per cent.

"We were pleased to see strong growth in our major centres of Auckland and Wellington, where uptake increased to 79 per cent and 68 per cent, respectively.

"During the pandemic, our digital inclusion initiatives focused on student broadband connections, helping seniors with their connected lives, and supporting the charitable sector to embrace digital tools.

### **Data demand**

Data traffic on Chorus' network increased by 23 per cent over the year, the equivalent of 1.3 billion gigabytes of data. The monthly average household data usage for a fibre user increased from 500 gigabytes (GB) to 567 GB.

"Remarkably, about 15 per cent of fibre consumers are already using more than 1,000 GB of data a month, and we're forecasting that to be the average residential household usage by 2025," said Mr Rousselot.

"It's clear that we're now far more reliant on our internet connections. The experience of the last couple of years has taught us that reliable internet access, at gigabit speed, is no longer a luxury.

"Gigabit connections now represent 23 per cent of our residential fibre connections and nearly a third of all new connections. Our multi-gigabit Hyperfibre services are now gaining traction with more than 1,000 primarily residential connections, and we expect Hyperfibre's uptake to mirror that of our gigabit service.

In May, Chorus trialled a 25 Gbps service substantiating fibre as the most cost-effective and scalable broadband technology.

"We demonstrated a 25 Gbps service that seamlessly integrates with existing gigabit and Hyperfibre services on the same fibre strand. This will allow service providers to upgrade their customers on demand in the future," said Mr Rousselot.

### **Copper withdrawal**

Growing fibre uptake in urban areas means Chorus is moving from trialling copper withdrawal to a more production-like process. Of the approximately 2,500 copper broadband cabinets in its fibre areas, a quarter have been notified for withdrawal.

"Across the country, there are now 130 street cabinets empty of copper connections. We're pleased that about 90 per cent of broadband consumers moving off copper have chosen fibre as their preferred broadband technology," said Mr Rousselot.

“The shift to more efficient fibre broadband will be a significant contributor to our efforts to reduce our carbon footprint. Our 2022 Sustainability Report includes a new commitment to a Science Based Target of a 62 per cent reduction in our Scope 1 and 2 emissions by 2030, based on 2020 levels.”

### **Dividend**

Chorus will pay a final dividend of 21 cents per share, unimputed, on 11 October 2022, bringing total dividends for FY22 to 35 cents per share.

### **FY23 guidance**

FY23 guidance is subject to no material changes in regulatory or competitive outlook.

- EBITDA: \$655 – \$675 million
- Capital expenditure: \$410 – \$450 million
- FY23 dividend: increased to 42.5 cents per share, unimputed
- FY24 dividend guidance: a minimum of 47.5 cents per share, unimputed

### **ENDS**

Chorus Chief Executive, JB Rousselot, and acting Chief Financial Officer, Andrew Carroll will discuss the full-year results from 10.00 am today, NZST, at [www.chorus.co.nz/webcast](http://www.chorus.co.nz/webcast)

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