

STOCK EXCHANGE ANNOUNCEMENT

10 April 2024

Q3 FY24 Connections Update

Chorus today released its connections update for the Q3 period to 31 March. The quarter was notable for slower connection activity through January and a general slow-down in greenfield growth consistent with broader macroeconomic trends.

The ongoing decline in copper connections slowed to 18,000 in Q3, compared to 21,000 in the prior quarter. Just 55,000 copper connections remain in areas where Chorus has fibre available and about 21,000 of these connections have been notified that copper services will be withdrawn within six months. To date, copper services have ceased for about 43,000 notified connections, up 7,000 in the quarter, and almost 1,000 copper broadband cabinets have been closed.

Copper voice lines reduced by 6,000 in the quarter and this drove the overall reduction in fixed line connections to 1,250,000¹, down from 1,256,000 connections in December.

Fibre uptake reaches 71%

Fibre connections grew 12,000 in the quarter, slightly higher than growth of 11,000 fibre connections in Q2. This more than offset the 8,000 lines reduction of copper broadband connections within the Chorus fibre footprint. Total broadband connections, including copper lines, were flat at 1,188,000.

The entry level 50Mbps Home Fibre Starter service continued to grow strongly and was up another 8,000 connections in the quarter to 38,000. Residential plans for speeds of 1Gbps and above grew by 4,000 connections and make up 25% of plans.

Chorus' fibre footprint, excluding other local fibre company areas, grew to about 1.5 million addresses, an increase of 7,000 addresses in the quarter. Fibre uptake within this footprint grew by 0.4% to 71%.

Uptake in Dunedin rebounded 1.5% to 76.3% reflecting the return of seasonal student demand in the city in the quarter. Fibre uptake in the Auckland urban area increased 0.1% to 76.5% while Wellington's uptake increased 0.3% to 70.7%.

Recent data published by the FTTH Council Europe shows New Zealand ranked 17th globally for fibre penetration across total households, at 69% in September 2023. Eight markets have passed 80% penetration with the UAE, Singapore and Hong Kong leading the way.

¹ This total includes partly subsidised fibre and copper broadband connections for students.

Average data usage doesn't reflect household data 'bursts'

Average monthly data usage on fibre was 598GB in March, in line with 599GB in December. The proportion of broadband connections using more than 1 terabyte of data was 15%.

In 2023, Chorus noted a 35 per cent increase in peak data demand, with households averaging about 20 connected devices. According to the World Broadband Association, the number of devices is expected to double every five years. The frequent, high-volume data bursts from activities like video streaming on multiple devices at the same time is fuelling this rise in peak data demand.

If devices aren't connected directly to ethernet, an up-to-date, in-home Wi-Fi router is crucial for optimal broadband performance. Many recently upgraded homes will now use Wi-Fi 6 routers. However, the latest Wi-Fi 7 standard promises significantly improved network capacity, the ability to support more devices at higher speeds and improved low-latency performance.

Upgrading Wi-Fi in the home can significantly enhance internet speed, reduce latency and support a higher number of devices, ensuring a smoother, more reliable online experience at home.

Change in timing for fibre pricing adjustments

Chorus is advising retailers that it is shifting the annual timing for pricing adjustments to fibre services from October to January. This change reflects Chorus' desire to simplify processes, by aligning future pricing adjustments with the start of the next regulatory period from 1 January 2025, and an expectation that regulated fibre revenues will be constrained by the maximum allowable revenue of about \$809 million for calendar year 2024.

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