



20 February 2023

Steady financial performance despite workforce challenges

Key results

- Fibre connections increased by 38,000 to 997,000
- Fibre uptake 71% in completed UFB areas
- 24% of mass-market fibre connections on gigabit or higher plans
- Operating revenue \$487m (HY22: \$483m)
- EBITDA \$342m (HY22: \$347m)
- FY23 EBITDA guidance increased to \$675m to \$690m
- Net profit after tax \$9m (HY22: \$42m)
- Unimputed interim dividend of 17 cents per share

Chorus has released its financial results for the six months ended 31 December 2022, showing a steady financial performance despite the operational challenges posed by workforce constraints.

EBITDA was \$342 million for the six months ended 31 December 2022 (HY23). This was a \$10 million increase on underlying HY22 EBITDA of \$332 million.¹ As a result, Chorus has increased its FY23 EBITDA guidance to \$675 million to \$690 million from a prior range of \$655 million to \$675 million. This guidance update does not include potential flood and cyclone-related impacts.

Net profit after tax (NPAT) decreased by \$33 million to \$9 million compared to HY22 at \$42m. This was primarily due to increasing interest rates and some one-off costs associated with the refinancing of a large tranche of debt. The accelerated depreciation of copper in areas where fibre is available also contributed to this reduction in net earnings.

Extreme weather brings added operational challenges

The company reached a significant milestone in December when it connected the last community, Opononi in Northland, to fibre under its 11-year public-private partnership with the government. It achieved its goal of one million fibre connections in January.

Fibre uptake reached 71 per cent in completed UFB rollout areas, with growth of 38,000 fibre connections nationwide in the six-month period.

¹ Reported HY22 EBITDA of \$347 million included \$15 million of one-off operating revenue and expense gains. Refer to page 31 of the HY23 investor presentation for the detailed accounting adjustments. Half year results are unaudited.

Chorus CEO JB Rousselot said a workforce gap of about 380 technicians had limited the number of fibre installations it could complete in the period.

“Like other industries we’ve experienced workforce challenges in the wake of COVID and we’ve made significant efforts to reduce the gap to some 220 technicians today. We expect to recruit another 150 technicians within a few months. In the meantime, the widespread community devastation caused by the recent cyclones means we’re having to reprioritise some work so we can focus on restoration efforts.”

The company’s initial focus has been fixing regional fibre routes so mobile networks can be used by other essential services to help with their restoration efforts. This work will also begin restoring other telecommunications services including broadband. The number of local network faults will remain unknown until most homes and businesses have power restored across the affected regions.

“We’re fortunate that fibre networks are less susceptible to water damage than copper cables. Our experience from the recent Auckland city floods, for example, is that we experience fewer faults and faster restoration for customers on fibre.

“Our thoughts are with all those impacted, including our employees; our teams are committed to restoring services as quickly as they can.”

Looking to the future of fibre in New Zealand

With the UFB rollout complete and fibre available to 87 per cent of New Zealand’s population, Chorus has begun evaluating long-term opportunities for investment.

“As we look to the future of broadband in New Zealand, it’s clear that fibre is the best long-term solution. We already have a plan that could extend fibre to 90 per cent of the population with the right regulatory and policy settings, and we see opportunities to invest in the ongoing enhancement and sustainability of the network.

“The recent cyclones will also help inform our ongoing investment programme for network resilience.”

Interim dividend and capital management

Chorus confirmed an unimputed interim dividend of 17 cents per share will be paid on 11 April 2023. A final unimputed dividend of 25.5 cents per share is expected to be declared in August 2023, consistent with the FY23 dividend guidance of 42.5 cents per share and subject to no material adverse changes in circumstance or outlook.

With the fibre rollout now complete and capital expenditure demands tracking as expected, Chorus has suspended its dividend reinvestment plan for this interim dividend payment. This will be reviewed at each financial result.

\$72 million of the \$150 million share buyback has been completed. The programme will continue unless more value-enhancing opportunities are identified.

FY23 guidance

- EBITDA: Increased to \$675m to \$690m, previously \$655m to \$675m
- Capital expenditure: no change from previous guidance of \$410m to \$450m
- Dividend: 42.5 cents per share, with 17 cents to be paid on 11 April 2023

This EBITDA and capital expenditure guidance does not include potential flood and cyclone-related impacts.

ENDS

Chorus Chief Executive JB Rousselot, and Acting Chief Financial Officer, Andrew Carroll will discuss the half-year results at a briefing in Wellington from **10.00 am** on **Monday 20 February 2023** (NZDT). The webcast will be available at www.chorus.co.nz/webcast.

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