



23 August 2021

Strong operational performance delivers 120,000 new fibre connections

Chorus today released its audited annual results confirming earnings before interest, tax, depreciation and amortisation (EBITDA) of \$649m for the year ended 30 June 2021.

Summary

- UFB uptake 65 per cent; Chorus rollout is 95 per cent complete
- 871,000 active fibre connections (FY20: 751,000)
- Average monthly data usage for fibre customers 500GB (FY20: 436GB)
- EBITDA for the year \$649m (FY20: \$648m)
- Net profit after tax was \$47m (FY20: \$52m)
- Operating revenue for the period was \$947m (FY20: \$959m)
- Operating expenses were \$298m (FY20: \$311m)
- Capital expenditure \$672m (FY20: \$663m)
- Depreciation and amortisation for the period was \$425m (FY20: \$402m)
- Earnings before interest and tax of \$224m (FY20: \$246m)
- Fully imputed final dividend of 14.5 cents per share, total for FY21 of 25 cps

Chorus' focus in FY21 was to help customers capitalise on the gigabit head start the fibre network has given New Zealand. Over the year, fibre uptake grew from 60 to 65 per cent, with 120,000 new fibre connections across 100 or so broadband retailers. Demand for reliable, high-capacity broadband was evident, with gigabit connections growing from 16 to 19 per cent of Chorus' fibre connections.

The ongoing surge in demand for internet data reflects broadband's role as an essential utility. The monthly average household data usage, over copper and fibre and including both downloads and uploads, grew from 350GB to 432GB across the year. Fibre customers consumed even more, averaging 500GB in June, up from 436GB the year before. The latest lockdown has seen unprecedented levels of throughput and data over the network.

Despite COVID-19 disruptions during FY21, customer satisfaction increased from 8.1 to 8.2 for installations and 7.3 to 7.5 for service to homes with an existing or 'intact' fibre socket.

Softer market conditions due to the ongoing effects of COVID-19 on broadband demand, together with competition from other fibre and wireless networks, resulted in a \$12 million drop in revenue compared with FY20. However, continued tight management of costs and the absence of one-off COVID-19 costs incurred in FY20 helped Chorus achieve its goal of a modest increase in EBITDA.

Speaking about the results, Chorus CEO JB Rousselot said: "Despite the softer market in the wake of COVID-19, we continued our active wholesaler strategy and were pleased to grow total fibre connections to 871,000. We are well on the way to our target of one million connections next year.

"Today, there are about 140,000 homes and businesses that could switch on a fibre service in a matter of hours if they chose to, and another 280,000 with fibre at their gate.

"Our UFB2 rollout continues to track ahead of schedule. Fibre passed another 69,000 premises during the year. From Whitianga, with more than 3,000 premises, to Fox Glacier, with just 100 or so; smaller and smaller communities are now getting connected to fibre."

Competition from alternative technologies

New Zealand has superb digital infrastructure that offers options to consumers about how they choose to access broadband.

"We're delighted to see that the vast majority of customers choose to pick fibre when they migrate off the copper network", said Mr Rousselot.

"We're comfortable with competition, but we believe customers should be given all the information about the characteristics of different broadband services and time to consider their options rather than being told their service is changing and they have to make a quick decision.

"Chorus is a tireless supporter of the Commerce Commission's *Measuring Broadband New Zealand* programme. The analysis helps customers understand what performance they can expect from the various broadband technologies available in the market.

"As the surge in data demand during the latest COVID-19 lockdowns shows, peak time capacity and performance is what really matters for consumers.

"We're also encouraged by recent Commerce Commission proposals to require retailers to provide clearer product disclosure for consumers.

"We believe that New Zealanders should be able to make informed decisions based on facts and unbiased equivalent data, rather than partial information and hype. Saying a service is fast doesn't cut it if the speed slows significantly at peak times or when you've reached a certain data limit."

Regulatory environment

Significant steps remain in the Commerce Commission's process to finalise the new fibre regulatory model between now and 1 January 2022.

Fibre consumers will benefit from ongoing investment if the Commission's final determinations provide for:

1. A smooth transition into the new regime that drives Chorus to add more connections at higher speeds
2. Sufficient operational and capital expenditure to let us meet the demands of our customers
3. The ability to continue with our active wholesaler strategy
4. Recognition of the full cost of building our UFB network and a fair return on the public-private partnership investment made to build the fibre network over the last decade.

This should be underpinned by retail regulation that provides stronger consumer protections and better information about broadband technologies.

Two aspects of the recent draft price-quality decision that Chorus is concerned about are proposed capital and operating expenditure cuts, and the obligation of an additional, complex approval process for offering retailer incentives to promote fibre.

"We feel that the incentives we offer equally to all retailers to promote fibre should not be subject to a drawn-out approval process. Retailers keen to promote fibre need early certainty around these

incentives to plan their offerings and their campaigns and further approval processes would hinder this.

"In our submissions to the Commission, we continue to make the case that some of the draft outcomes don't fairly recognise the investment made over many years by our investors.

"It's critical that the actual value of our participation in this partnership is recognised so we can keep investing in developing the capability and reliability of fibre broadband for New Zealand," said Mr Rousselot.

Dividend

Chorus will pay a final dividend of 14.5 cents per share, fully imputed, on 12 October 2021, bringing total dividends for FY21 to 25 cents per share.

FY22 guidance

FY22 guidance is subject to no material changes in regulatory or competitive outlook.

- EBITDA: \$640 – \$660 million
- Capital expenditure: \$550 – \$590 million
- FY22 initial dividend guidance of 26 cents per share

ENDS

Chorus Chief Executive, JB Rousselot, and Chief Financial Officer, David Collins will discuss the full-year results from 10.00am today, NZ time, at www.chorus.co.nz/webcast

For further information:

Steve Pettigrew
External Communications Manager
m: +64 27 258 6257
e: steve.pettigrew@chorus.co.nz

Brett Jackson
Investor Relations Manager
m: +64 27 488 7808
e: brett.jackson@chorus.co.nz