



22 February 2021

## Steady progress towards one million fibre connections

### Summary

- Fibre connections increased by 62,000 to 813,000
- Net profit after tax was \$24m (HY20: \$31m)
- EBITDA \$323m (HY20: \$332m)
- Operating revenue of \$473m (HY20: \$483m)
- Interim dividend of 10.5 cents per share
- Fibre uptake reached 63% in completed UFB areas
- 17% of fibre connections on gigabit plans
- Capital expenditure guidance range increased to \$670 million to \$700 million
- FY21 EBITDA guidance unchanged, tracking towards the lower half

Chorus today reported a net profit after tax (NPAT) of \$24m and earnings before interest, tax, depreciation and amortisation (EBITDA) of \$323m for the half year ending 31 December 2020. This was a decrease on the same six months to 31 December 2019, largely reflecting the continued migration of customers from legacy copper services to alternative networks, particularly in non-Chorus fibre network areas.

Operating revenue for the period was \$473m (HY20: \$483m) and operating expenses were \$150m (HY20: \$151m). Depreciation and amortisation was \$209m (HY20: \$198m), delivering earnings before interest and tax (EBIT) of \$114m (HY20: \$134m).

### Solid growth in fibre connections and uptake

Chorus CEO JB Rousselot said performance during an unusual first six months of the financial year has been solid. Fibre uptake lifted from 60% to 63% with 62,000 fibre connections added in the six months. While strong housing growth is fuelling increased demand for fibre installations, COVID-19's effect on net migration into the country has softened demand on overall broadband connections.

"Auckland's most recent lockdown has again emphasised the need for a reliable, congestion-free and unlimited broadband connection in the home", said Mr Rousselot.

"With this in mind, I'm delighted that the second phase of our fibre build, UFB2, continues to track ahead of schedule and is now taking the socio-economic benefits of fibre to many smaller communities. Some of the more remote townships that can now connect to this unmatched broadband technology include Fox Glacier, National Park and Mokau.

"As in the larger centres, those upgrading to fibre in these communities can typically get fibre installed for free and comparison websites highlight the diverse range of sharp retail offers available to new fibre customers."

### **Small scale copper withdrawal trial targets less than 1% of copper lines**

With the Commerce Commission releasing its final *Copper Withdrawal Code* in December, Chorus will trial retiring copper in a limited number of copper cabinet areas where the uptake of fibre is already high.

“Outside of these limited initial trial areas, no one should feel under any pressure to move from copper. There is no overnight switch-off of the copper network. Our plans in the next 12 months are expected to affect less than one percent of the half million customers still on copper today,” said Mr Rousselot.

A six-month notification period means customers will have plenty of time to make choices suitable for them and the first copper cabinets would not be switched off until September at the earliest.

Chorus is committed to ensuring its copper network remains well-maintained to deliver the best possible voice and broadband services.

### **Commission’s report describes fibre “unmatched” against other technologies**

The Commerce Commission’s *Measuring Broadband New Zealand* (MBNZ) testing raises clear questions about some of the claims being made by fixed wireless providers on the performance and reliability of their services relative to fixed line services, including copper. Consumers whose providers are switching them to fixed wireless services with little or no consultation should ask the following questions:

- What average network speed guarantees are being offered by your provider, especially during peak times in the evening?
- Are broadband performance features like low latency, unlimited data and high-quality video streaming important for you?
- Do comparison websites show you’re being offered the best priced service available?
- Is fibre broadband already available in your area? Or is it due soon?

### **Transition to a new regulatory framework**

Late last year the Commerce Commission released its final decisions on the input methodologies, or rule books, that will apply to Chorus’ fibre access network from January 2022.

Despite some slight improvements from the Commission’s draft positions Chorus’ view is the final decisions didn’t reflect the true level of cost or risk our shareholders faced in building the UFB network.

“We’re now at the start of a period of rapid growth in customer demand for bandwidth and data volume, as applications emerge quickly to take advantage of the new market created by the availability of multi-gigabit fibre services”, said Mr Rousselot.

“This makes the outcome of the Commission’s current price-quality process even more important. Chorus’ ability and incentives to continue investing in better broadband for

consumers will be dependent on the Commission ensuring the initial cap on our potential revenue is set above our forecast fibre revenues.”

### **Dividend**

Chorus will pay an interim dividend of 10.5 cents per share, fully imputed, on 13 April 2021 to all shareholders registered at 5pm on 16 March 2021. A dividend reinvestment plan will apply for the interim dividend at a discount rate of 2%. Applications to participate must be received by 5pm (NZ time) on 17 March 2021.

### **FY21 guidance**

- EBITDA: unchanged at \$640 - \$660 million (tracking towards the lower half)
- Capital expenditure: Gross capex increased to \$670 - \$700 million from prior range of \$630 to \$670 million

### **ENDS**

Chorus Chief Executive, JB Rousselot, and Chief Financial Officer, David Collins, will discuss the half year results at a briefing in Wellington from 10.00am on Monday 22 February 2021 (NZDT). The webcast will be available at [www.chorus.co.nz/webcast](http://www.chorus.co.nz/webcast).

### **For further information:**

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