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Solid financial performance as Chorus progresses towards a simpler digital infrastructure company and transitions CEO

Key results

- Increase in fibre connections: by 31,000 to a total of 1,062,000
- Fibre uptake increased to 70.6%
- 25% of residential fibre connections on gigabit or higher plans
- Operating revenue \$503m (HY23: \$487m)
- EBITDA \$347m (HY23: \$342m)
- Net profit after tax \$5m (HY23: \$9m)
- Unimputed interim dividend of 19 cents per share
- JB Rousselot steps down as CEO in April 2024. Mark Aue appointed CEO

Chorus has released its financial results for the six months ended 31 December 2023, showing a solid result in its first normal operating period following the pandemic, workforce and weather challenges of the last few years. Demand for fibre broadband continues to grow with uptake passing 70 per cent and data consumption back at levels last seen during the pandemic lockdowns.

EBITDA was \$347 million for the six months ending 31 December 2023 (HY24), a \$5 million increase on HY23 EBITDA of \$342 million.

Operating revenues were up \$16 million from the prior period to \$503 million. Operating expenses were \$156 million, up \$11 million from HY23, largely reflecting inflation-linked cost increases and some one-off costs for operating model changes.

Net profit after tax (NPAT) decreased by \$4 million to \$5 million compared to HY23 at \$9 million, primarily due to higher interest rates and the accelerated depreciation of copper assets in areas where fibre is available.

Growth in fibre uptake drives simplification of Chorus' business

In the six months to 31 December 2023, Chorus fibre connections grew by 31,000 to 1,062,000, while the number of premises passed by fibre grew to 1,493,000 addresses.

Chorus CEO JB Rousselot said the growth in fibre uptake is driving Chorus' evolution towards becoming a simpler, pure fibre digital infrastructure company.

"Over the last 12 months, copper connections dropped by 94,000, and fibre grew from 78 per cent of Chorus' connections to 85 per cent. This shift has seen network fault volumes drop by 15 per cent, and we expect these fault volumes to fall further as we look to fully retire copper in urban fibre areas by the end of 2026.

"Our objective remains to achieve 80 per cent fibre uptake, and we are continuously refining our active wholesaler strategy to help achieve this."

Home Fibre Starter plan doubles connections

Chorus' 50 Mbps 'Home Fibre Starter' plan has seen impressive uptake, doubling connections in the half year. "This plan has been a key part of our strategy, particularly in addressing cost-of-living pressures and providing a superior alternative to wireless technologies," Rousselot commented.

"We're also pleased to see the continued growth in uptake of our gigabit and multi-gigabit plans, now comprising 25 per cent of our customer base. This shift underscores New Zealanders' growing appetite for high-speed, reliable connectivity."

Evening data usage surges

A Chorus fibre connection's average monthly data usage is now 599 gigabytes. However, average data usage and throughput are only part of the picture, with significant data surges during evening peak hours. Chorus invests in capacity to keep ahead of this demand maintaining at least 50 per cent headroom above the average to meet peak usage driven by major updates to popular online platforms like Fortnite.

Speaking about this data growth, Chorus CEO JB Rousselot said, "Fibre's ability to seamlessly cope with this corresponding growth in average monthly data usage and peak evening surges reflects our commitment to provide Kiwi homes and businesses with a congestion-free, reliable and high-capacity broadband network."

Extending the fibre footprint

In the first significant expansion of New Zealand's fibre network since the completion of Ultra-Fast Broadband (UFB) in December 2022, Chorus has begun extending fibre to 10,000 more homes and businesses.

"The extension to these 10,000 premises in 59 locations includes communities adjacent to our fibre footprint and places like Milford Sound, where we've completed a government-funded backhaul link into the township.

"About 60 per cent of the homes and businesses we intend to pass are not on the Chorus network, and a pre-registration initiative has shown strong interest in connecting to fibre. One of the initial build locations, Waiau Pa, already has more than half of the homes and businesses expressing interest to connect and a second, Otaramarae, is at 40 per cent."

"We believe that fibre should and could go further, and we'll keep investigating ways to do more. But for now, any further investment is contingent on pricing, market and regulatory changes that make a commercial case for further investment."

Second regulatory period fibre investment plans

Chorus' next four-year regulatory period starts in January 2025 and the company lodged its expenditure proposal in November. The total expenditure proposal for the period is approximately \$1.3 billion. The Commerce Commission's draft decision on the proposal is expected soon, with its final decision in the second quarter of the calendar year.

Leadership transition

JB Rousselot, who has served as Chorus' CEO since November 2019, will step down from his role on 15 April 2024. Rousselot has been instrumental in steering Chorus through a period of substantial growth and simplification of the company's operating model. He is leaving Chorus in great shape and well prepared to adapt to the challenges and opportunities of the future. JB leaves to pursue non-executive director roles.

Mark Aue, currently Chief Operating Officer, has been appointed as the new CEO effective 15 April 2024. Aue joined Chorus in April 2023, having been most recently the CEO of 2Degrees and, before this, the CFO of Vodafone NZ (now One NZ).

Reflecting on Rousselot's tenure, Mark Cross, Chair of Chorus, said, "JB has been an exceptional leader for Chorus and fully embraced New Zealand's culture during his time here. Under his guidance, Chorus completed the government-supported Ultra-Fast Broadband programme, saw fibre reach more than one million New Zealand homes and businesses and he led the business through its greatest test, COVID-19. We are grateful for his passionate advocacy of fibre and consumer transparency."

On Aue's appointment, Cross remarked, "I am delighted to be passing the leadership of Chorus to a fellow Kiwi. Mark's appointment as CEO comes at a pivotal time for Chorus. His deep understanding of Chorus and the telecommunications industry, combined with a proven leadership and innovation track record, makes him the ideal person to lead Chorus into its next chapter.

"Mark's focus on the customer, and growing fibre connections, will be a core part of Chorus' future. His appointment represents the fruition of ongoing strategic succession planning overseen by the Board," said Cross.

Rousselot will work closely with Aue during the transition period to ensure a seamless leadership handover.

Interim dividend and capital management

Chorus has confirmed it will pay an unimputed interim dividend of 19 cents per share in April 2024. The dividend reinvestment plan remains suspended.

Chorus completed its \$150 million share buyback in the year's first half. There are now just under 434 million shares on issue, with about 19 million shares cancelled through the buyback.

FY24 guidance

- **EBITDA:** unchanged \$680m to \$700m; tracking towards top half of guidance
- **Capital expenditure:** unchanged \$400m to \$440m; tracking towards top half of guidance
- **Dividend:** 47.5 cents per share, with 19 cents to be paid on 16 April 2024

ENDS

Chorus Chief Executive JB Rousselot and Chief Operating Officer Mark Aue will discuss the half-year results at a briefing in Wellington from **10.00 am on Tuesday, 27 February 2024** (NZDT). The webcast will be available at www.chorus.co.nz/webcast.

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