

Chorus Limited  
Level 10, 1 Willis Street  
P O Box 632  
Wellington  
New Zealand

Email: [company.secretary@chorus.co.nz](mailto:company.secretary@chorus.co.nz)

## **MEDIA RELEASE**

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### **Chorus increases EBITDA guidance following strong half**

#### **FY20 half year result by the numbers**

- Net profit after tax \$31m (HY19: \$30m)
- EBITDA \$332m (HY19: \$318m)
- Operating revenue of \$483m (HY19: \$489m)
- Interim dividend of 10 cents per share
- EBITDA guidance range increased to \$640 to \$655 million
- 99,000 fibre installations since 30 June 2019
- 13% of fibre connections on 1 gigabit plans

Chorus has today reported a net profit after tax (NPAT) of \$31m and earnings before interest, tax, depreciation and amortisation (EBITDA) of \$332m for the half year ending 31 December 2019. The growth in EBITDA was achieved through a combination of operating cost reductions and strong broadband connections growth.

Operating revenue for the period was \$483m (HY19: \$489m) and operating expenses were \$151m (HY19: \$171m).

Depreciation and amortisation for the period was \$198m (HY19: \$196m), delivering earnings before interest and tax (EBIT) of \$134m (HY19: \$122m).

#### **Chorus' fibre build draws to a close**

Chorus CEO JB Rousselot said last year's completion of the first phase of the Ultra-Fast Broadband (UFB) rollout marks the beginning of the wind-down of Chorus' communal fibre build programme.

"In November we celebrated the completion of our nine-year contract with the Government in bringing fibre to 28 towns and cities. The contract was delivered on-time and on-budget and is a textbook case study of how a public-private partnership can work well in delivering a cost-effective outcome for taxpayers."

"The second phase of our fibre build, UFB2, is already about 40 percent complete and there are now just 150,000 premises remaining to be passed by December 2022."

## **Connecting to fibre remains the focus**

With fibre now available to about 1.2 million homes and businesses in Chorus build areas, Chorus' focus remains firmly on connecting as many customers as possible. Simple residential fibre installations are currently free.

"The number of disconnections from our fixed line network slowed markedly in the first six months. However, mobile network operators continue promoting their own fixed wireless services as an alternative, and we remain concerned that 'the pending shutdown of copper' is still incorrectly cited to customers as a reason to move."

"As we've previously said, customers should be clear that we have not announced any timeline for switching off our copper network. If we decide to do so in the future, we'll communicate it well ahead of time and it would be on a street-by-street basis only where fibre is available as an alternative."

## **Gigabit fibre becoming the norm**

In January the average household data usage on Chorus' fibre network was 372 gigabytes, up from 342 in June. Customers are increasingly conscious of the limitations of broadband plans with capped data allowances.

"With streaming services like Disney+ increasingly making ultra-high definition, or 4K, content available to customers at no additional cost and online gaming without a console or downloads on the horizon, we expect bandwidth demand to step up yet again.

"Our market-led focus on encouraging the uptake of gigabit broadband plans is changing the perception of what stress-free broadband looks like. Now everyone can be streaming online TV simultaneously without the worry of buffering or a data cap being breached.

"Already 13 percent of our fibre customers – up three percentage points in the last six months – have opted for a gigabit plan. Comparison sites, like [broadbandcompare.co.nz](http://broadbandcompare.co.nz), are highlighting providers who now offer gigabit plans at prices comparable to earlier 100Mbps plans.

In November, Chorus ushered in a new era of high-capacity fibre broadband set to meet the future demands of New Zealand's creativity, innovation and efficiency.

"Our *Hyperfibre* service offers customers 2Gbps or 4Gbps symmetric speeds that will make big differences for businesses that transfer large amounts of data, work in the cloud or rely on instantaneous communication."

## **Regulation**

In November, the Commerce Commission released its draft decision on the input methodologies that will apply to Chorus' fibre access network from January 2022.

"We thank the Commission for the considerable work that has gone into the draft decision and welcome this step towards establishing a utility style framework for New Zealand's key communications infrastructure.

"At the heart of our submissions is the belief that incentive-based regulation should enable the continued delivery of high quality, innovative services for consumers and fair returns for investors.

"The final shape of the new regime will send important signals regarding the regulatory treatment of infrastructure investment in New Zealand. This is at a time when there is a major infrastructure deficit. If New Zealand wants to attract private investors to fund some of this deficit, investors need to know they will be able to earn an appropriate return if they navigate the considerable risks."

## **Outlook**

With the UFB rollout coming to an end, we'll be doing even more to encourage fibre uptake. Our progress on optimising our business and reducing costs, together with broadband connection performance, has given us the confidence to increase FY20 EBITDA guidance to a new range of \$640 million to \$655 million, from a prior range of \$625 million to \$645 million.

Reducing capital expenditure requirements and the strong first half mean we have decided to remove the discount previously offered on the dividend reinvestment plan.

Dividend guidance for FY20 is unchanged at 24 cents per share, subject to no material adverse changes in circumstances or outlook.

The Board said it recognises that investors have had constrained returns through the decade long fibre investment cycle and, from FY22 expects to transition to a dividend policy based on a pay-out range of free cash flow.

## **FY20 guidance**

- EBITDA guidance range increased to \$640 - \$655 million
- Gross capex guidance unchanged at \$660 - \$700 million
- Fibre connections & layer 2 capex increased to \$295 - \$315 million

## **Further Information**

Chorus' half year financial statements for the six months ended 31 December 2019 and management commentary are attached.

Further information can be found at:

- <https://www.nzx.com/announcements/348841>
- <https://company.chorus.co.nz/investor-news>

**ENDS**

For further information:

**Andrew Hopkinson**

Treasurer

Mobile: +64 (27) 249 5678

Email: [Andrew.Hopkinson@chorus.co.nz](mailto:Andrew.Hopkinson@chorus.co.nz)