

Stephen Rue – Half Year Results FY22

Part one

OPENING

SR title slide

Good morning and welcome everyone to NBN Co's financial results announcement for the six months ended 31 December 2021.

I trust you all have the media release and presentation slides for today's event. If not, these materials are now available on our website.

Joining me today is our Chief Financial Officer Philip Knox and our Chief Customer Officer Brad Whitcomb.

Philip will speak to the Company's financial performance and I will speak to the company's operational progress. We will open the lines for Q&A at the end of the formal presentation and speeches.

PROGRESS, PERFORMANCE & REVENUE GROWTH

But before Philip takes us through the financial details for the half, I would like to reflect on how we at **nbn** have continued to support the nation through these challenging times.

In the first half, I was particularly proud of the resilience and achievement of **nbn**, and the overall strong performance of our network as our Company has continued to transition from completion of the initial construction phase to our operational phase.

Some important milestones have been reached as we deliver on our purpose of lifting the digital capability of Australia.

Our customer base has grown, with an additional 190,000 premises connected in the first half.

By December 2021, 8.4 million homes and businesses were connected to the **nbn**[™] network, which equates to well over 17 million people relying on our network every day.

At the end of the half, approximately 76 per cent of residential and business customers were connected to plans based on **nbn™** wholesale speed tiers with peak download speeds of 50 Mbps and above.

And approximately 15 per cent were on **nbn™** wholesale speed plans offering peak download speeds of 100 Mbps or higher.

Financial highlights slide

As you can see from the slide, this growth in our customer base, and continued take-up of higher speed services on the network, helped increase total revenue by 12 per cent to \$2.5 billion for the half.

Earnings Before Interest, Tax, Depreciation and Amortisation, or EBITDA, including subscriber costs, were very healthy at \$1.5 billion, in line with guidance.

Residential Average Revenue Per User, or ARPU, increased to \$46 in the six months to 31 December 2021, up from \$45 in fiscal 21.

The uplift in Residential ARPU was driven by increased customer demand for broadband, including upgrade to higher speed tier plans.

Revenue from Business customers increased to \$493 million in the first half of fiscal 22, up 24 per cent from \$397 million in the first half of fiscal 21.

These are solid financial results. And once again, we have done what we said we would do.

STRONG DEBT RECOVERY

The strength and predictability of our results combined with the quality of our assets and our progress in making network investments is earning the confidence of domestic and international monetary markets.

Private debt raising through bank facilities and debt capital markets enabled us to pay down the government loan by a further A\$5.8 billion during the half.

We have now reduced the outstanding balance to \$7.4 billion.

This means we are on track to repay the original \$19.5 billion Commonwealth loan by June 2024, when it is due to mature.

Raising this debt is a significant achievement when you consider the economic uncertainty affecting the confidence of global markets.

This strong endorsement from domestic and international lenders demonstrates that we have the right strategy, momentum and business case to back up our ambitions.

And crucially, it provides us with the financial flexibility to reinvest in the network, so we can extend the capability and utility value of the **nbn**.

nbn has always been about delivering a better Australia. We have a strong focus on keeping the nation connected - staying ahead of growing data demand by putting more capacity into the network so it's ready and available for customers when they need it.

I'm pleased to say that all our key performance metrics are on a trajectory to achieve our full year guidance targets.

I will now hand over to Philip who will share more detail on our financials and capital management plans.

Thank you, Philip.

--- PHILIP KNOX SPEECH ---

Stephen Rue – Part Two

Thank you, Philip.

I believe this half has seen significant financial and operational improvements as we continue to execute the network investment plan set out in our Corporate Plan.

NETWORK INVESTMENT, COVID and SUPPORTING BUSINESS

Slide on speed capabilities

During the half, we continued to invest in the next evolution of the **nbn**[™] network, with capital expenditure totalling \$1.16 billion.

A core element of this investment plan is to push fibre deeper into communities in selected metropolitan and regional areas throughout Australia to deliver higher speed services on demand to eligible premises.

As you can see from this slide, around 2 million premises that are currently able to access the **nbn** network via Fibre-to-the-Premises (FTTP) connections, can now order **nbn™** Home Ultrafast with close to gigabit wholesale download speeds.

Almost 2.4 million premises connected to the **nbn** via Hybrid Fibre Coaxial, or HFC, can also access **nbn™** Home Ultrafast.

Most of the 1.5 million premises on the Fibre-to-the-Curb connections can now access **nbn™** Home Fast, with wholesale download speeds of up to 100 Mbps.

And later this year, we expect that we will be ready to start inviting these customers to order **nbn™** Home Superfast or Home Ultrafast via their retail service provider.

Construction of the Local Fibre Network for our Fibre-to-the-Node to Fibre-to-the-Premises upgrade has commenced on more than 540,000 premises.

The first 50,000 or so eligible premises currently served by Fibre-to-the-Node will be able to order higher speed services from late March 2022.

And pleasingly, we are on track to enable close to gigabit wholesale download speeds to 75 per cent, or up to 8 million premises, on the fixed line network, on demand, by the end of 2023.

COVID

When the pandemic forced Australia into lockdown in March 2020 everyone that needed to be able to work or study from home could do so, thanks to the **nbn**.

We quickly realised the importance and reliance people would have on the network. So, we took immediate and decisive steps to add extra capacity into the network.

We made a very rapid decision to provision, at no extra charge to retailers or customers, up to 40 per cent additional CVC capacity. And this was based on very limited information from an early read of what was happening in Europe.

As a result, we ensured retail service providers had adequate capacity to deal with significant network traffic demands.

We set up a cross industry working group and worked collaboratively with internet retailers to ensure our respective networks were quickly and effectively optimised and strengthened to cope with the expected surge in usage and data demand.

We also doubled the average monthly download limits of retail plans offered by our Sky Muster service providers at no extra charge.

nbn also worked cooperatively with video streaming providers - and they also played their part - by temporarily reducing their content bit rates, downsizing from Super High Definition to High Definition and Standard Definition at the peak of the lockdown.

This ensured that **nbn** and retail networks were not adversely affected by the surge in video entertainment streaming.

We extended our original three-month additional CVC offer on numerous occasions, keeping it open for almost a year.

And we gave internet retailers access to specific wholesale business grade products to help support and re-establish businesses.

nbn came up with financial relief packages, putting up to \$150 million on the table - to help internet providers support their customers - as well as funding to help essential services and telehealth providers.

Throughout the pandemic therefore, we have played a critical role not just in the telecommunications space, but also in supporting people and businesses across Australia.

And because of that considerable COVID support, our Residential ARPU remained flat at \$45 across the previous two fiscal years.

Our main aim has been to ensure that **nbn** is robust, secure and reliable as the digital lifeline keeping the country going through the social and economic impacts that would otherwise have caused wider disruption.

And we will continue to support the nation through its pandemic recovery.

WORKING WITH INDUSTRY

So **nbn** is committed to customer experience and industry collaboration.

Through this half, we worked closely with the ACCC, internet retailers and industry groups on the framework that is used to regulate wholesale access to the **nbn™** network.

We closed the half by putting forward a Special Access Undertaking Working Group Response Paper, which lays the groundwork for a pathway we are mapping out with the ACCC and industry.

And we've been guided by four core objectives:

- One, to ensure good value for customers;
- Two, to provide increased certainty and predictability of wholesale pricing for retailers;
- Three, to ensure NBN Co remains sustainable, so we can meet our financial commitments and are able to invest in the network for the benefit of customers who want faster speeds and for increased data demands on the network;

- And four, the establishment of an effective regulatory framework that supports efficient investment in our network and efficient use of the network.

We welcome ongoing discussion with industry stakeholders and we will lodge our SAU Variation Proposal very soon.

We are advocating for the development and availability of AVC-only pricing on **nbn™** Home Fast and above. This would eliminate CVC capacity charges on our faster speed tier plans.

And this is designed to help retailers accommodate higher data demand of customers on higher speed tiers by providing single wholesale price points for each speed tier.

We know that some internet retailers would like us to go further and deeper with our AVC-only wholesale pricing.

We are doing our best to strike the right balance between our entry and mid-tier wholesale products, without pricing lower data demand users out of the market.

For entry level and mid-speed tiers, we suggest the retention of AVC/CVC bundles, but we will propose a reduction of our regulated prices to align more closely with effective market prices. This would align NBN Co's regulated prices with its (lower) discounted charges.

On these tiers that retain CVC, we are proposing that retailers would no longer need to actively forecast and manage their CVC provisioning, and would instead only be charged for the capacity that customers use.

We are also proposing clearly defined twice-yearly adjustments to capacity inclusions that reflect actual changes in data demand for those speed tiers that retain capacity charges.

This would improve NBN Co's ability to update and align our wholesale offers to increasing data demand, reducing industry tension and debate on usage forecasts.

Importantly, we are also recommending the lifting of our entry-level speed tier from offering download speeds of 12 Mbps to 25 Mbps. This would help ensure more customers have access to faster broadband services.

We would also significantly reduce the effective price of basic voice-only connectivity services to make these plans more accessible and affordable to more customers.

Finally, we will propose some changes to the operation of the SAU, and if accepted by the ACCC, we believe the SAU variation would provide greater predictability of prices through regulated price caps, regular review of our investments by the ACCC and the opportunity for the ACCC to further refine the regulatory framework in future.

Importantly, these changes would maintain NBN Co's opportunity - subject to market conditions - to earn the revenues needed to meet our financial commitments, sustain our business and ensure we can continue to invest in the network to uplift the digital capability of Australia.

DIGITAL INCLUSION

As we extend the reach of the **nbn**[™] network, we have an important responsibility to ensure the social and economic opportunities made possible by fast broadband can be extended to everyone across Australia.

The future of the Australian economy and our effective participation in the global economy is, and will be, digital.

Our 295 **nbn** Business Fibre Zones and our premium business grade Enterprise Ethernet service seek to level the playing field for businesses across the country – particularly small and medium businesses - by largely removing the cost differential that has traditionally existed between CBD, outer metro and regional locations.

I'm delighted that we now have close to 20 retailers actively selling our symmetrical Enterprise Ethernet services. This product is a game-changer that is transforming the way people around Australia do business.

I would also like to thank retailers for the way they have embraced and supported our Proactive Assurance Trial. Between **nbn** and retailers, we have good visibility at the performance and handover points within our respective networks – and as the name of the trial suggests - we know we can get a whole lot better at proactively identifying pinch points in the network, and fixing them, ideally without the customer even reporting a fault.

And these initiatives are simply good business. And we hope that by working together with retailers we can create much better outcomes for customers.

Digitisation is also accelerating better access to healthcare and education and delivery of government services.

We have a firm commitment to digital equality and have adjusted our wholesale prices with inclusion in mind. We also provided financial relief to support customers through the impacts of COVID, as I outlined earlier.

The company is tackling barriers to digital inclusion with a national program that addresses key segments including low-income households, Seniors and Indigenous Australians.

nbn prioritises the safety and welfare of customers when they are online and organises awareness campaigns on how to avoid being scammed. We know that Seniors are often the most vulnerable - so we design campaigns with their needs in mind.

Our Communities in Isolation Program is helping enable broadband access for Indigenous communities in 52 locations and we aim to extend this to more communities soon.

And we recently launched a Digital Inclusion for Online Learning pilot program involving 250 families, where we are partnering with stakeholders across the education sector and internet retailers to support students with online learning opportunities at home.

We will continue to work with all levels of government, internet providers and advocacy groups to help create a more digitally equal society where no-one is left behind.

CHALLENGES

Montage slide showing images of storms, floods

I'd like to talk about the challenges we are now frequently facing as a result of climate change.

In the first half – storms, floods and self-isolation imposed by the pandemic – have underlined the absolute importance of the **nbn™** network.

This summer, we have seen storms across the ACT, throughout New South Wales and major flooding around Maryborough and Gympie in Queensland.

This is why one of our highest priorities is to keep our network operating and lines of communication open for emergency services and the communities we serve during times of emergency or natural disaster events.

SUSTAINABILITY

Slide of Sustainability Report 2021

Lifting the digital capability of Australia means essentially, making a positive difference.

And in delivering on our purpose, we provide access to social, economic, health and education benefits for our customers, communities and country.

We've built a strong, resilient, secure and stable network and take seriously our role as an ethical and responsible business.

Our second Sustainability Report, released in December 2021, outlines how the Company will deliver further on its commitment to social issues such as digital inclusion and capability; environmental issues such as climate change; and governance issues including ethical and transparent business practices.

We have a strong commitment to reduce emissions and address climate risks to support a more sustainable network and a low carbon future.

In December 2021, we announced our Towards-Zero Carbon Ambition.

As part of this, the company has an initial three-year roadmap and is working towards three things:

- First, reducing annual energy use by 25 Gigawatt hours by December 2025
- Second, purchasing 100 per cent renewable electricity from December 2025
- And third, the use of electric or hybrid vehicles, where suitable, by 2030.

In support of our renewable electricity target, we announced our membership of the global RE100 renewable energy initiative. We are proud to be the first Australian telecommunications company and the first government business enterprise to do so.

OUTLOOK

We expect the remainder of this fiscal year will be another incredibly busy period for **nb**n and the industry.

We will continue to meet the digital needs of the nation - from working and studying at home, having access to vital services such as telehealth appointments, shopping and connecting with family, friends and entertainment.

By providing access to the digital tools and services made possible by high-speed broadband, we are supporting communities and businesses in working together on the nation's economic recovery and in building a more digitally inclusive society for us all.

We will also continue to support the nation in the 'new normal' as people migrate away from fixed workplaces to new hybrid models that place less importance on where you work, and more importance on how you work.

We know there will be many more challenges on the horizon.

But as the digital backbone of Australia, we remain committed to working in close collaboration with our industry partners to help grow the digital economy and deliver on the enduring purpose of lifting Australia's digital capability.

Thank you, we will now take questions.