



Media release

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NBN Co exceeds network build and activations targets, supports nation through COVID-19 and delivers strong results in FY20

Performance summary for the 12 months to 30 June 2020:

- NBN Co exceeded its Corporate Plan 2020-23 and FY20 build targets to close FY20 with 11.73 million premises ready to connect and 7.3 million premises connected to the national broadband network
- Leads industry response to COVID-19, offering pricing relief for up to 40 per cent additional Connectivity Virtual Circuit (CVC) capacity to Retail Service Providers (RSPs) at no extra cost
- Increased Sky Muster data allocation and Sky Muster Plus enhancements and offer of up to \$150 million in financial relief for residential and business customers
- Total revenue of \$3.8 billion, up 36 per cent on FY19
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), before subscriber costs, of \$1.77 billion, up 190 per cent on FY19
- Monthly Residential Average Revenue Per User (ARPU) of \$45, up from \$44 in FY19
- Business revenue of \$666 million, up from \$475 million in FY19

NBN Co has exceeded its Corporate Plan 2020-23 and FY20 build target by more than 230,000 premises, making 11.73 million premises ready to connect to the **nbn**[™] network by 30 June 2020. In the 12 months to 30 June 2020, the company connected more than 1.7 million Australian homes and businesses to close FY20 with approximately 7.3 million premises connected to the **nbn**.

NBN Co CEO Stephen Rue said:

“The most important thing we’ve delivered this year has been ten years in the making. We completed the initial build of the national broadband network on time so that Australians had access to secure, resilient, high-speed broadband when they needed it most¹.

“When the impact of the COVID-19 crisis became apparent in March, we worked quickly to establish an industry and world-leading response to increased network utilisation, offering pricing relief for up to 40 per cent additional CVC capacity to participating internet retailers at no extra cost.

“Since the introduction of the offer, we have forgone revenue of more than \$80 million in CVC capacity charges from participating internet retailers as part of our efforts to help support increased data use during COVID-19.

“This pricing relief for up to 40 per cent additional Connectivity Virtual Circuit (CVC) capacity was only ever intended as a short-term measure. However, we have maintained this moratorium on additional wholesale data

charges for seven months to give internet retailers the time and financial relief they needed to adapt to their customers' changing data demands.

"As part of our prior commitment in 2019 to work more closely with the industry, we also introduced greater wholesale bundle discounts, which included significant annual increases in data capacity for most wholesale speed tiers and, in support of the economics for Retail Service Providers, we changed the procurement model to allow them to purchase data capacity at a national aggregate level.

"To further improve the customer experience of the **nbn**[™] network, we recently introduced overprovisioning of the download component of most fixed line wholesale speed tiers by 10 – 15 per cent, where possible, to assist RSPs to supply higher retail peak download speeds to customers."

Despite the challenges and financial impost of the COVID-19 crisis, NBN Co generated revenue of \$3.8 billion in FY20, a 36 per cent increase year on year and a \$100 million improvement on the FY20 forecast presented in the Corporate Plan 2020-2023. The company's Statutory Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) before subscriber costs was \$1.77 billion in FY20, up 190 per cent on FY19.

Residential Average Revenue Per User (ARPU) grew from \$44 to \$45 in the 12 months to 30 June 2020. At 30 June 2020, 69 per cent of residential and business customers were connected to **nbn** wholesale speed tiers of 50 Mbps² and above and approximately 80 per cent of new customers are continuing to sign up to speeds of 50 Mbps and above. It is this increase in higher speed take-up that has driven the increase in residential ARPU, not an increase in wholesale prices, where due to bundle discounts, prices in fact continue to fall.

NBN Co's Business revenue increased by 40 per cent to \$666 million in the 12 months to 30 June 2020. The company exited FY20 with an annualised revenue run rate of \$750 million and a qualified pipeline of sales prospects that will contribute to closing the balance of its \$1 billion business revenue target.

Capital Expenditure declined from \$5.9 billion in FY19 to \$5.04 billion in FY20, reflecting the wind down of construction activity as the company approached the final stages of the initial network build. In FY20, NBN Co paid approximately \$2.4 billion in subscriber costs to Telstra and Optus, the highest annual level of such payments. These costs will significantly reduce from FY21 with payments totaling approximately \$1.5 billion due over FY21-24, until such payments cease.

The company forecasts that approximately 8.2 million premises will be connected to the **nbn**[™] network by 30 June 2021. The forecast growth in its customer base and revenues, combined with lower subscriber payments to Telstra and Optus in the future, will help to support the company's forecast to become cashflow positive in FY23.

Additional comments from Stephen Rue, CEO at NBN Co:

"Throughout the year, **nbn** has stood shoulder to shoulder with the industry, introducing a number of significant initiatives to support internet retailers and their customers, such as the offer of pricing relief for up to 40 per cent additional CVC capacity to RSPs at no extra cost, the increase in data allowances for Sky Muster and Sky Muster Plus satellite customers and the offer of our \$150 million financial relief and assistance package. We remain committed to supporting the industry and Australians during this uncertain time.

"**nbn** will continue to support the nation during and after the COVID-19 crisis. We have stayed the course that we set in 2014 to build the network as quickly as possible and at least cost to taxpayers to provide customers with access to secure, high-speed broadband services.

"The network has performed extremely well this year and I would like to thank our dedicated employees across Australia for their diligence and perseverance, as well as our trusted delivery partners and suppliers. And I would especially like to thank our customers for utilising this national infrastructure asset and testing its full capabilities for work, education, entertainment, and as an important way to stay connected to family and friends.

“As a company, we surpassed our activation forecasts by more than 250,000 premises and exceeded our premises ready to connect forecast by more than 230,000 at 30 June 2020. We are proud of this achievement because it underscores the vital role **nbn** is playing to support and grow Australia’s digital economy and demonstrates that we are delivering on our purpose, which is to lift the digital capability of Australia.

“We exceeded our total revenue, build and activation forecasts. Residential ARPU grew and we significantly outperformed our forecasts for EBITDA and statutory EBITDA before subscriber costs.

“We have also achieved significant improvements in customer experience and overall satisfaction, and this will continue to be a major focus area for our company in the future. Year on year, right first time installations rose to 93 per cent in FY20³, meeting agreed installation times remained steady at 96 per cent of cases⁴ and average network congestion fell to approximately 7 minutes per week in June⁵.

“Following the completion of the initial network build, we are focused on our future as a customer-led service delivery organisation as we work to unlock and enable the economic and social benefits that fast broadband can deliver. This will require us to sharpen our efforts in areas such as customer experience and innovation, as well as continuing to simplify our relationship with internet providers so we can provide a more seamless experience to customers.

“We enter FY21 in a strong financial position and with good momentum in both the residential and business markets. We look forward to presenting our future strategy and outlook at the release of our Corporate Plan 2021-24 later this year.”

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Notes to editor:

¹ NBN Co’s build completion commitment is that all standard installation premises in Australia are able to connect to the **nbn**[™] access network as at the build completion date. This excludes premises in future new developments which will be an ongoing activity for NBN Co beyond the build completion date. It also excludes a small proportion of premises defined as ‘complex connections’ – which includes properties that are difficult to access, culturally significant areas and heritage sites – where connection depends on factors outside of NBN Co’s control such as permission from traditional owners, and where network construction to allow such premises to connect will be an ongoing activity of NBN Co beyond the build completion date.

² In this metric, '50Mbps (download) wholesale speed plan' includes wholesale plans available to phone and internet providers with download speeds of 50Mbps and 25-50Mbps. The **nbn**[™] wholesale speed tiers available to your phone and internet provider vary depending on the **nbn**[™] access network technology in your area. Your experience, including the speeds actually achieved over the **nbn**[™] network, depends on the **nbn**[™] network technology and configuration over which services are delivered to your premises, whether you are using the internet during the busy period, and some factors outside our control (like your equipment quality, software, broadband plans, signal reception and how your service provider designs its network). Speeds may be impacted by network congestion on **nbn**’s Fixed Wireless network, including during busy periods. Satellite users may experience latency.

³ Right First Time Installation calculates the percentage of homes and businesses that have their **nbn**[™] equipment installed without additional work from NBN Co the first time the installation is attempted. Typically, NBN Co excludes end user cancellations, end user or phone and internet provider initiated reschedules, end user premises "shortfalls" and other things outside of NBN Co's control such as bad weather. This measure covers the installation of equipment that does not require more than one appointment. It does not cover successful connections to a plan over the **nbn**[™] network through a phone and internet provider.

⁴ Meeting Agreed Installation Times calculates the percentage of premises that NBN Co connects to the **nbn**[™] network within target timeframes with phone and internet providers. The target timeframes vary by **nbn**[™] network type and available infrastructure at the premises. This measure does not include Priority Assistance connections or Accelerated Connections.

⁵ Average Network Bandwidth Congestion calculates the average number of minutes of bandwidth congestion per week/ per service. This is calculated across all bandwidth purchased by all phone and internet providers across the entire network (CVC congestion). Please note that while bandwidth congestion is caused by the level of provisioning of capacity by the phone and internet provider, there are also other types of congestion which may occur on the **nbn**[™] network.