



NBN Co Limited

Full Year Results FY23

10 August 2023

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Stephen Rue
Chief Executive Officer



Progress, performance and growth

nbn achieved key performance metrics and full year guidance in FY23

Network

12.3m

Premises Ready to Connect (RTC)

FY22: 12.1m

99.97%*

Network availability

FY22: 99.95%

Business performance & customers

\$5.3bn

3% increase in revenue

FY22: \$5.1bn

8.56m

Homes and businesses connected

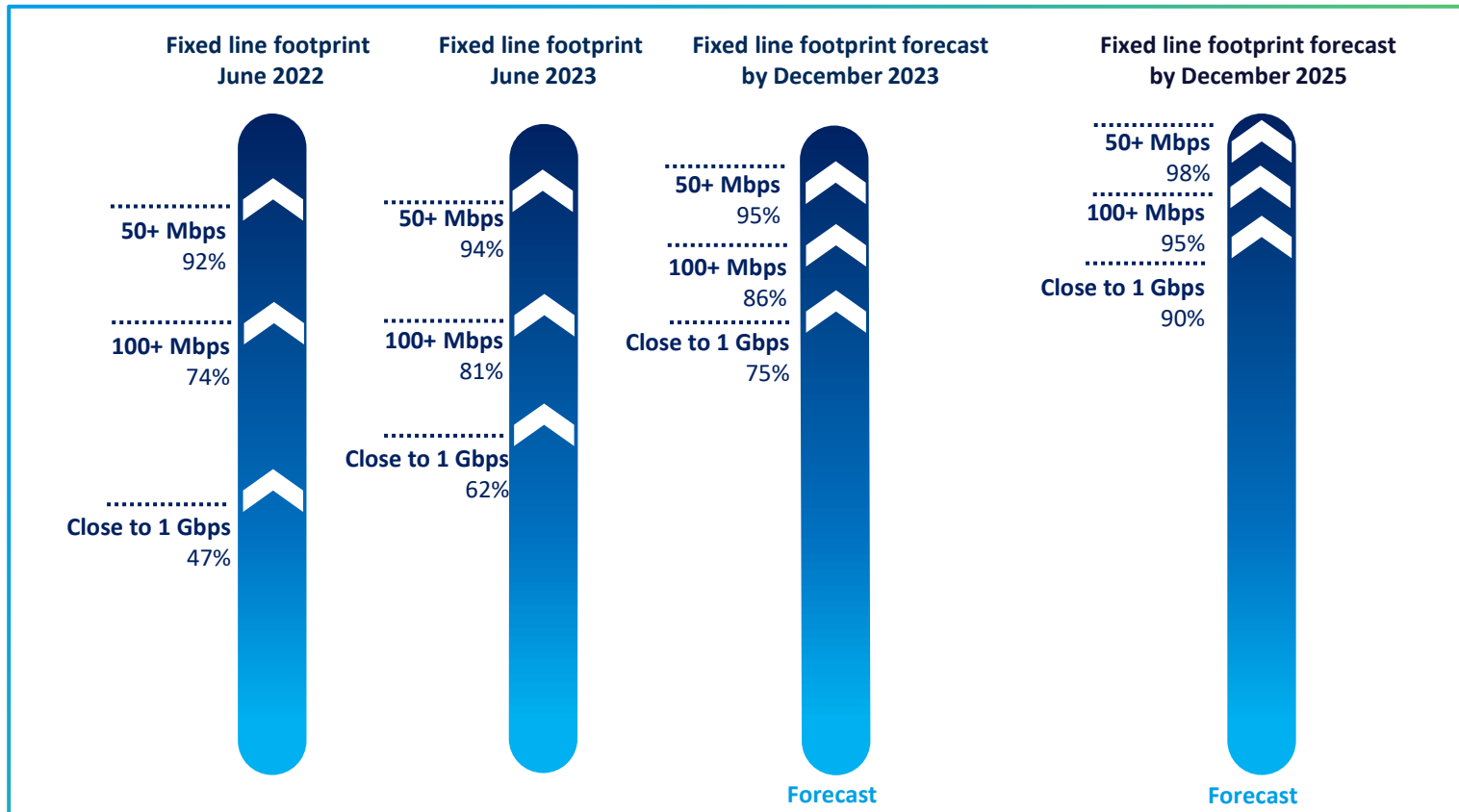
FY22: 8.52m

**Important information*

*Percentage of time the **nbn** access network is available and operating. For this measure, the network is considered 'unavailable' during the time NBN Co is restoring services following the raising of a fault. It doesn't include periods where the network is unavailable due to operational outages for network upgrades and improvements or events beyond NBN Co's control. This metric has been calculated using the same methodology as in previous months. This metric has been rounded to the nearest two decimal places.*



nbn Fixed Line network: wholesale download speed capabilities



At completion of current network investment plan



Evolving the Hybrid Fibre Coaxial network to support future data demands

nbn's Hybrid Fibre Coaxial (HFC) has passed 2.5 million premises and is capable of delivering **nbn's** highest speed tier.

nbn intends to introduce Distributed Access Architecture or DAA to the HFC.

DAA technology will result in five times capacity in the HFC network, helping improve speed and performance.



Supporting regional Australia

Fixed Wireless

- On track to deliver a \$750 million upgrade of the **nbn**® Fixed Wireless network by the end of 2024.
- Fixed Wireless infrastructure sites will have their coverage and footprint expanded by up to 50 per cent.
- 120,000 former satellite-only premises to access **nbn**® Fixed Wireless services.

Satellite

- Launched a new Sky Muster® Plus Premium product in June 2023.
- Offering uncapped data usage, and the 25/5 Mbps wholesale plan can offer burst download speeds of up to 100 Mbps.



Connecting First Nations people and improving digital inclusion

nbn continues to support digital inclusion, particularly for remote and regional areas. Activities and programs currently underway include:

- Launched **nbn**'s fifth Reconciliation Action Plan.
- Deployed 109 Community Wi-Fi points across First Nations communities around Australia.



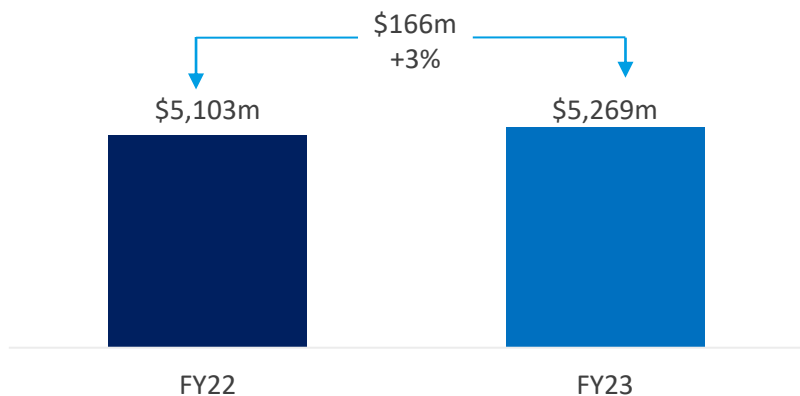


Philip Knox
Chief Financial Officer

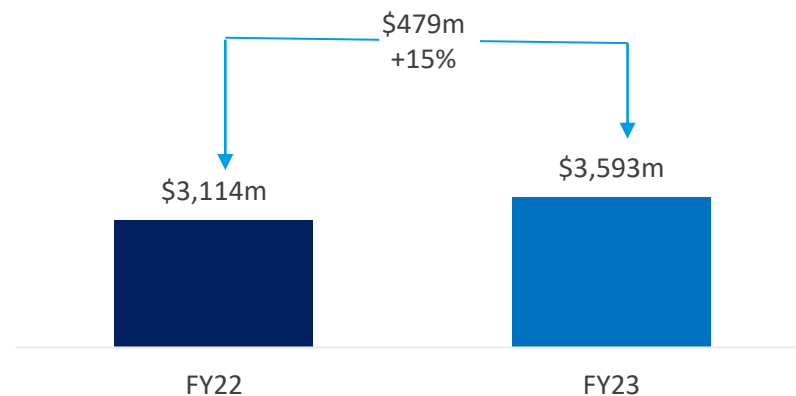


Headline results FY23

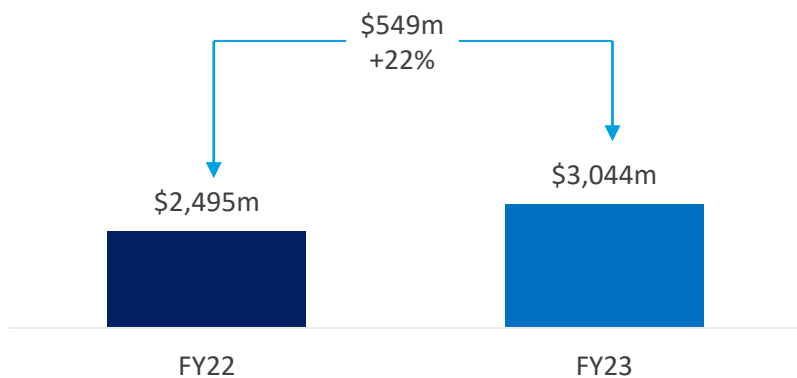
Revenue



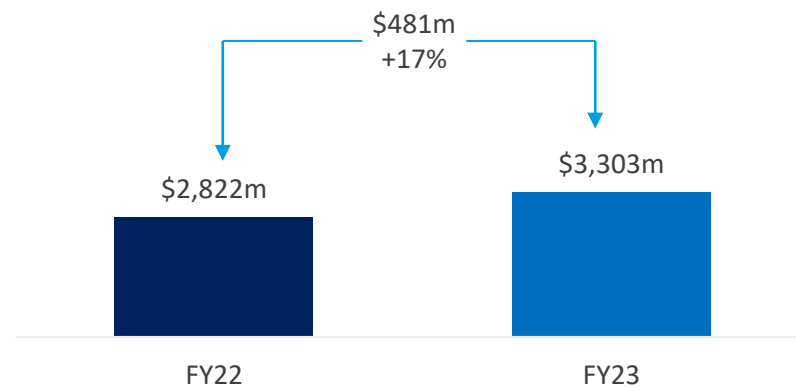
EBITDA¹



Capital Expenditure



Operating cash flows²



¹ EBITDA after subscriber costs

² Excluding receipts from government grants and infrastructure lease payments

Revenue and customer base

Solid FY23 revenue performance supported by customer demand

\$m	For the 12 months ended		
	30 June 22	30 June 23	% Increase/ (Decrease)
Telecommunications	5,004	5,137	3%
Other	99	132	33%
Total	5,103	5,269	3%
Residential ARPU (\$)	\$46	\$47	2%
Activations (premises)	8,516,177	8,558,783	1%

- 3% growth in Telecommunications revenue driven by increased activations and improved ARPU performance
- Other revenue has increased by 33% predominantly due to an increase in technology choice and new development fees
- 8.56 million homes and businesses are now connected to the **nbn**[®] network, up 1% compared to 12 months ago

Delivering access to nbn's highest speed services

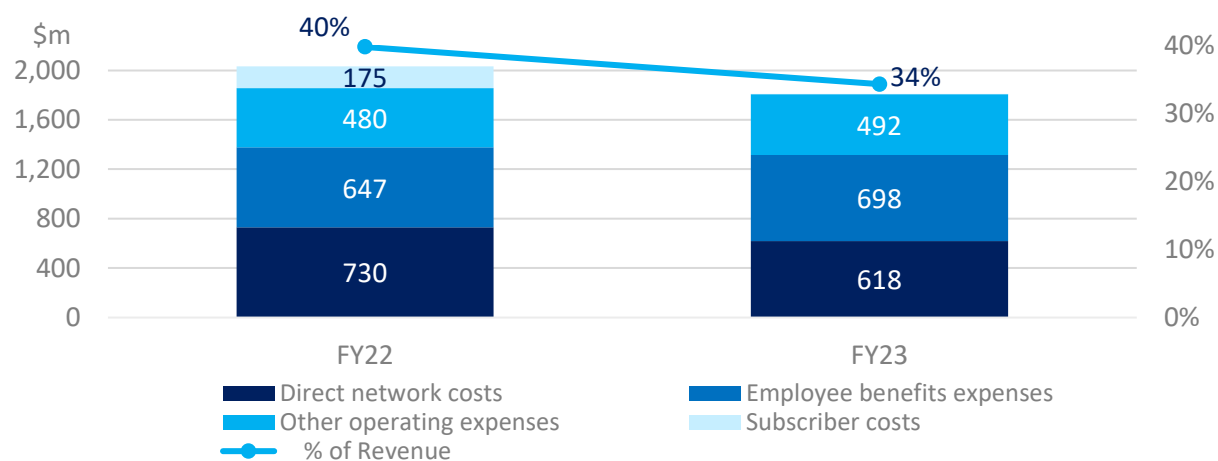
Progress on fibre upgrade programs			
	30 June 22	30 June 23	Increase/ (Decrease)
% of Fixed Line network capable of delivering nbn ® Home Ultrafast plans	47%	62%	15%
FTTN/C premises able to order a FTTP upgrade	497,461	2,013,394	1,515,933
# of premises upgraded to FTTP	3,209	89,626	86,417

- NBN Co has continued to enhance its fixed line network providing more customers with access to **nbn**® Home Ultrafast plans. As at 30 June 2023, more than 6.9 million premises across Australia (62% of the fixed line network) are now able to access **nbn**'s highest speed tiers
- FTTP and HFC served premises are already fully enabled to deliver **nbn**'s highest speed tiers. The increase in the number of premises capable of ordering **nbn**® Home Ultrafast is driven by the progress made on NBN Co's fibre upgrade programs
- Over 2 million FTTN and FTTC premises are now eligible to order an FTTP upgrade, which is an increase of over 1.5 million premises compared to 30 June 2022
- As at 30 June 2023, almost 90 thousand premises had upgraded onto a higher speed fibre service. This number is now in excess of 100 thousand premises

Operating expenditure continues to decline

\$m	For the 12 months ended			
	30 June 22	30 June 23	% Increase/ (Decrease)	
Direct network costs	730	618	(15%)	• Decrease driven by ongoing initiatives to drive efficiency and network performance
Employee benefits expenses	647	698	8%	• Underlying employee expenses (excluding termination costs) are consistent with prior year
Other operating expenses (including subscriber costs)	655	493	(25%)	• Excluding subscriber costs, other operating expenses were stable despite inflationary pressures
Total operating expenses	2,032	1,809	(11%)	

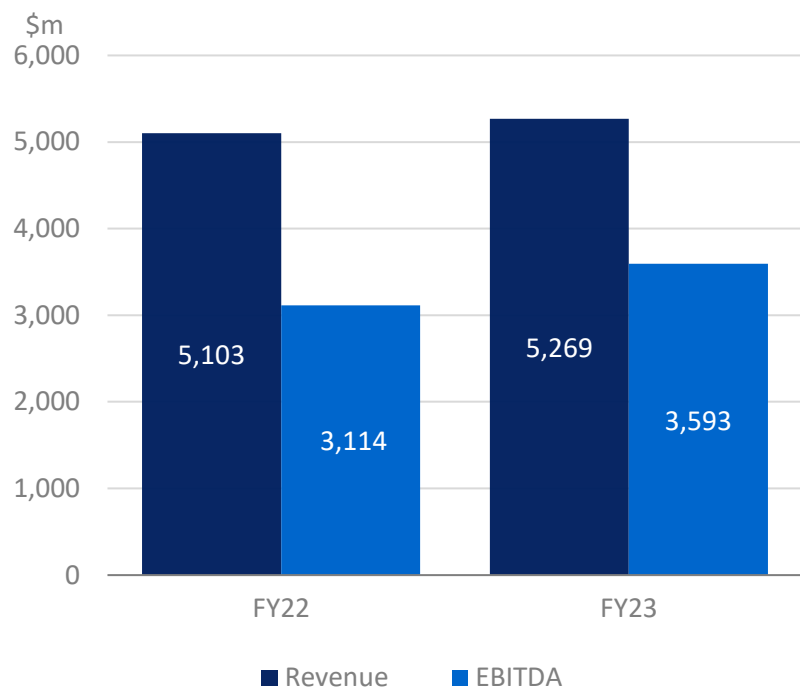
Operating expenses performance (FY22 vs FY23)



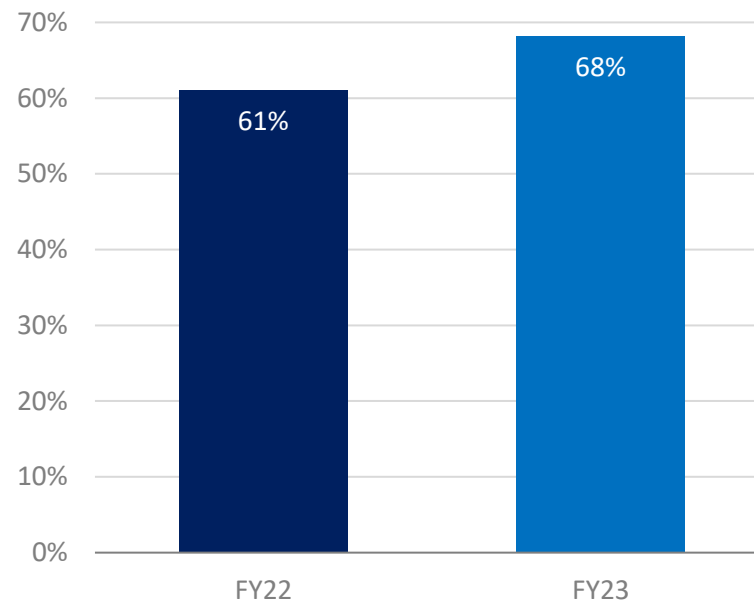
Continuing EBITDA momentum

- EBITDA continues to increase due to the combination of revenue growth and declining operating cost base (including reduced subscriber costs)
- EBITDA margin reached 68% for FY23, up from 61% in FY22

Revenue and EBITDA

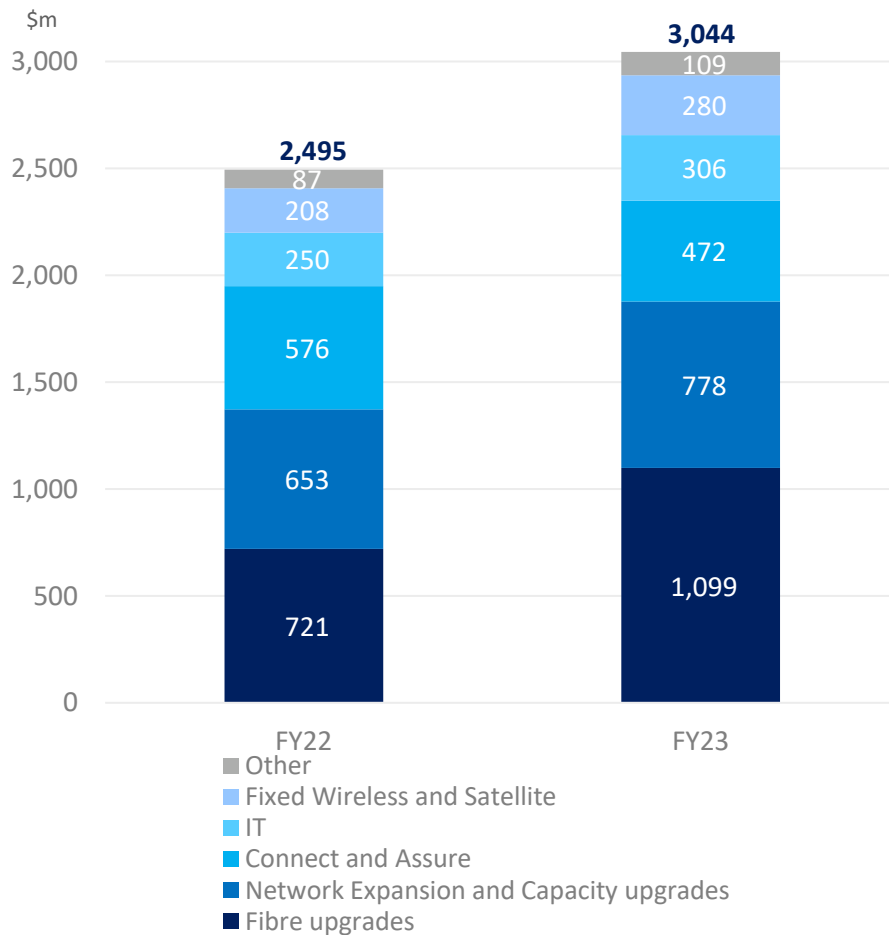


EBITDA margin



Capital Expenditure

Continuing to invest in **nbn**® network upgrades



NBN Co has continued to invest into the **nbn**® network on behalf of our customers. Capital expenditure for the year ended 30 June 2023 has increased compared to the corresponding period driven by the following:

- 1 \$1.1 billion investment for the growing scale of FTTN and FTTC to FTTTP upgrade activity and higher FTTX to P upgrade connection costs
- 2 \$778 million for the design and construction of new network infrastructure, capacity upgrades and business fibre. The increased expenditure compared to FY22 is mainly driven by higher volumes of Enterprise Ethernet orders and corresponding fibre network build, as well as a greater volume of new developments
- 3 \$472 million incurred to connect and assure the **nbn**® network. This is a reduction from FY22 due to lower first-time connection volumes post the initial rollout build
- 4 Increased software and system development investment of \$306 million in continuing support of operational simplicity initiatives and strategic objectives
- 5 Fixed Wireless and Satellite capacity investments of \$280 million, increasing in line with the continued design and delivery of the Fixed Wireless upgrade program

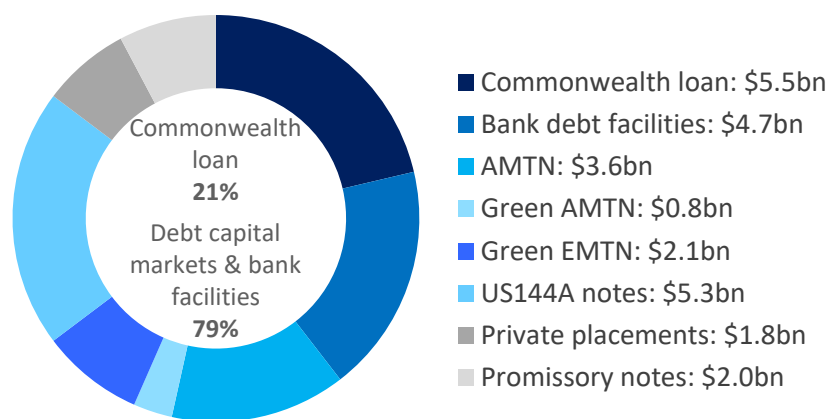


Capital Summary

Diversified sources of debt provides capacity to repay Commonwealth loan and execute network investments

Debt overview	As at	
	30 June 22	30 June 23
Contributed equity (\$m)	29,500	29,805
Group debt (\$m) ¹	24,734	25,823
Weighted average cost of drawn debt	2.55%	3.18%
Fixed interest ratio ²	86%	92%
Weighted average duration of drawn debt (years) ³	5.1	4.4
Committed liquidity (\$m) ⁴	2,795	4,510

Summary of borrowings as at 30 June 2023⁵



1 Drawn debt, including overdraft facility and excluding accounting adjustments, accrued interest and fees
 2 Percentage comprises fixed and floating rate debt that has been hedged, as a proportion of total debt. Excludes forward starting interest rate swaps
 3 Excluding the Commonwealth loan and promissory note issuances
 4 Excluding uncommitted debt with less than 12 months to maturity. Comprised of undrawn bank facilities less promissory note issuances and overdraft facility
 5 The figures presented in the graph have been rounded to the nearest 1 decimal place

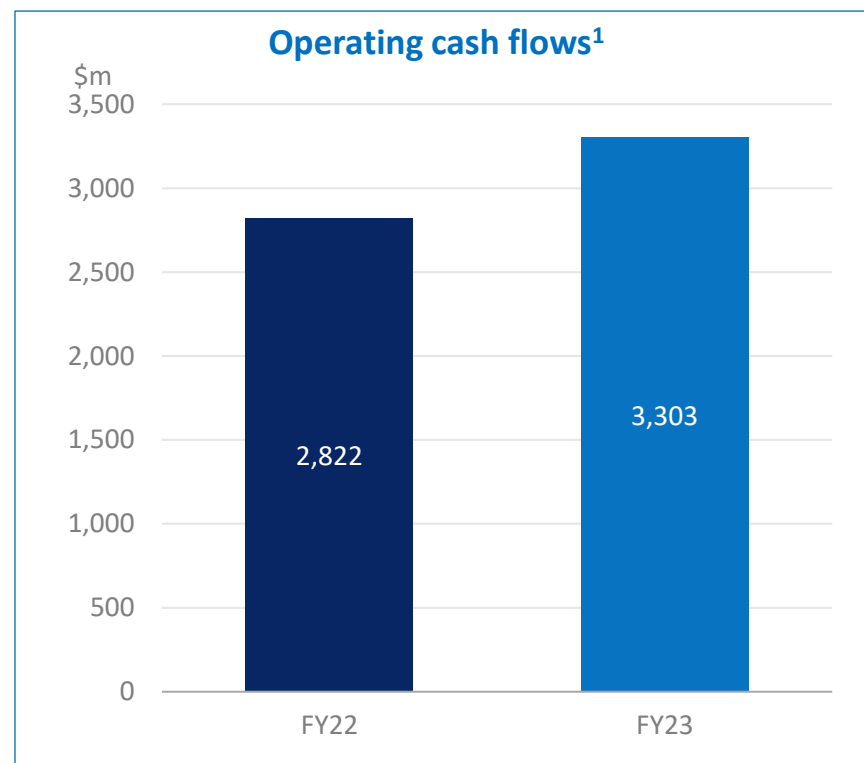
- NBN Co Limited has the following credit ratings: Moody's Long Term Issuer Rating: Aa3 (Stable); Fitch's Long Term Issuer Rating: AA (Stable)
- In June 2023, \$305 million of equity funding was received from the Commonwealth Government, following its commitment to provide up to \$2.4 billion in equity by June 2026 to enable an additional 1.5 million premises served by FTTN to be eligible for an upgrade to FTTP technology
- Capital strategy remains focused on refinancing the Commonwealth loan by June 2024, funding network investments and maintaining a strong liquidity position
- Liquidity increased to over \$4.5 billion as a result of greater headroom within existing bank facilities
- The weighted average cost of drawn debt has increased during the 12-month period to 30 June 2023 predominantly due to higher market interest rates
- NBN Co has hedged a significant proportion of its floating debt which has helped to shield the Company from the full effect of the increase in market interest rates
- In the 12-month period to 30 June 2023, NBN Co raised a further \$5.69 billion in bank and capital markets debt, which included:
 - Inaugural Green European Medium-Term Note (EMTN) issuances of EUR 1.35 billion (swapped into A\$2.13 billion) across 6-year and 10-year tenors
 - \$2.0 billion of short-term promissory notes with tenors ranging from 1 month to 6 months under NBN Co's inaugural Promissory Note Programme
- The Company repaid a further \$875 million of the Commonwealth loan, reducing the outstanding balance to \$5.5 billion

Improving operating cash flow performance

- Operating cash flows continue to improve in line with the EBITDA performance of the company, which is driven by both revenue growth and lower operating expenditure.
- Decline in free cash flow was largely driven by the recognition of the Fixed Wireless upgrade grant of \$480 million that occurred in FY22, and increased capital expenditure due to our investment upgrades. Lease and interest payments also increased compared to prior year due to inflationary increases and interest rate rises.

\$m	For the 12 months ended	
	30 June 22	30 June 23
Operating cash flows ¹	2,822	3,303
Receipts of Government grants	547	38
Capital expenditure	(2,618)	(3,000)
Lease payments	(1,024)	(1,088)
Interest paid on borrowings and other financial liabilities	(540)	(693)
Free cash flow	(813)	(1,440)

¹ Excluding receipts from government grants and infrastructure lease payments



FY23 Statutory Results

The results demonstrate the Company's continued financial growth. NBN Co has met its key revenue and EBITDA financial targets as outlined in the Corporate Plan.

\$m	For the 12 months ended			
	30 June 22	30 June 23	% Increase /(Decrease)	
Total revenue	5,103	5,269	3%	<ul style="list-style-type: none"> Growth in revenue driven by increased activations and improvement in ARPU
Operating income	43	133	209%	<ul style="list-style-type: none"> Operating income increased due to the commencement of recognition of the Fixed Wireless Upgrade grant
Operating expenses	(2,032)	(1,809)	(11%)	<ul style="list-style-type: none"> Decreased due to improved network performance and lower other operating expenses (including subscriber costs)
EBITDA	3,114	3,593	15%	<ul style="list-style-type: none"> Underlying EBITDA up 15%
Depreciation and amortisation expense	(3,541)	(3,082)	(13%)	<ul style="list-style-type: none"> Lower depreciation and amortisation expense resulting from the re-estimation of useful lives of network assets
Other income	30	35	17%	<ul style="list-style-type: none"> Non-cash income from gifted 'pit and pipe' assets
EBIT	(397)	546	+ \$943m	<ul style="list-style-type: none"> EBIT improved to \$546 million from an EBIT loss of \$397 million in FY22
Net finance costs	(1,470)	(1,655)	13%	<ul style="list-style-type: none"> Increase driven by a combination of CPI increases on leasing arrangements and higher average debt levels across FY23
Income tax benefit/ (expense)	399	(10)	(103%)	<ul style="list-style-type: none"> NBN Co is currently in a taxable loss position. Movement is due to deferred tax impact of financial derivatives
NPAT	(1,468)	(1,119)	(24%)	<ul style="list-style-type: none"> 24% or \$349 million improvement in statutory NPAT





Stephen Rue

Chief Executive Officer



Delivering greater cost certainty, simplicity and value for the industry

On the basis it is accepted by the ACCC, the many benefits of the SAU Variation will be implemented through WBA5, the next iteration of the commercial contract between **nbn** and retailers.

nbn has made numerous adjustments to the proposed SAU Variation following ACCC and industry feedback, including:

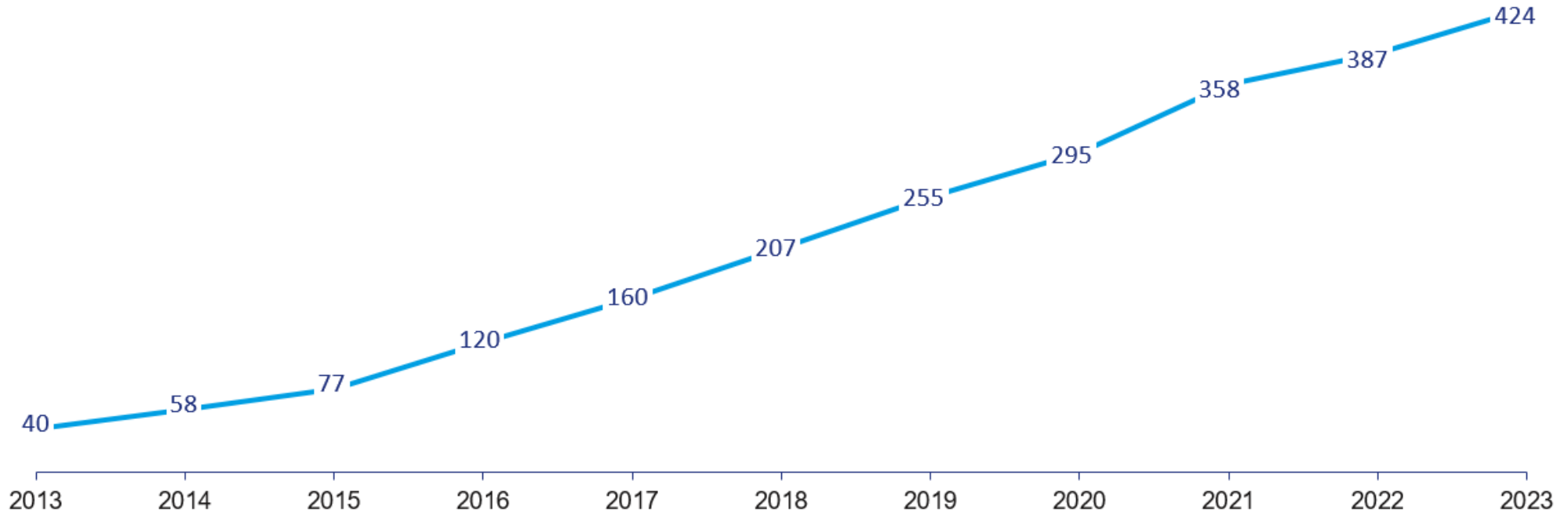
- Introduction of AVC-only wholesale pricing on higher speed tiers
- Gradual reduction, and eventual removal, of CVC overage charges across all speed tiers by FY26
- Introduction of a Weighted Average Price Control (WAPC) to provide greater certainty on future wholesale prices, ensuring **nbn**'s ability to implement CPI adjustments from FY25.



Over the past decade, average data downloaded per nbn connection has grown

Average amount of data downloaded per nbn connection per month

(Gigabytes in June each year)

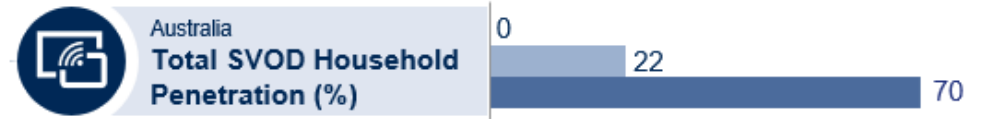
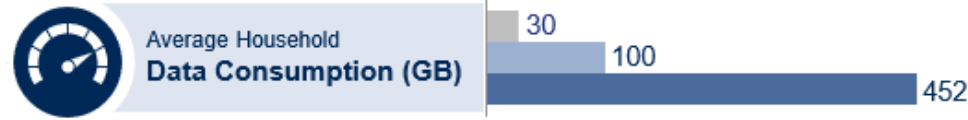
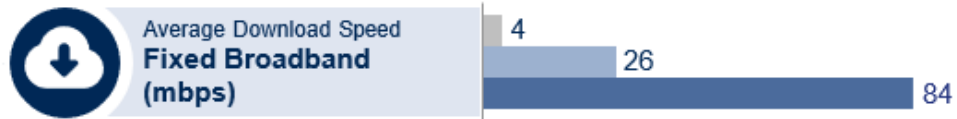


Source: CTO State of the Nation report



The face of broadband demand and use in the Australian residential and business context has changed dramatically in the past 10 years.

10 Years Ago (2012) 5 Years Ago (2017) Today (2022)



Source: Digital Australia, ABS, OMDIA, Gartner, Telsyte, Ookla, Statista Roy Morgan, BCARR, ACCC, CTO



Playing an important role to support Australia's climate ambitions

- On track to enable up to 10 million premises, or around 90 per cent of premises on the fixed line network, to access fibre by the end of 2025.
- Committed to long-term greenhouse gas emissions (GHG) reduction targets and achieving net-zero emissions by 2050, or sooner, via the Science Based Targets initiative (SBTi).
- Near-term science-based emissions reduction targets, have been validated by the SBTi
- Entered into first renewable Power Purchase Agreement (PPA) at new solar farm in New South Wales, with two further renewable PPAs now executed in Victoria and Queensland.



Meeting the nation's growing digital needs

nbn continues to invest in the **nbn**® network and ensure Australia's growing digital demands are met across a range of settings:

- Consumer and business demand for data analytics
- Virtual reality
- New entertainment and streaming applications
- Innovations in education
- Video conferencing
- New social media platforms
- Big data and cloud applications
- Machine learning
- Online healthcare and medical imaging
- Food production





Questions



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