Philip Knox, NBN Co CFO– HY22 Speaking Notes

Thank you, Stephen – and good morning to everyone on the call today.

As Stephen has highlighted, **nbn**'s financial results for the first half of fiscal 22 are very pleasing and keep **nbn** on track to meet our guidance targets outlined in our 2022 Corporate Plan. I'd now like to take you through these results in more detail…….

Headline Results HY22

Turning to my first slide, you can see the headline results for the six months ended 31 December 2021.

Total revenue has continued to grow - and is up 12 per cent on the comparative period to over $2.5 billion for the first half.

This growth was primarily driven by the increase in our customer base with 8.4 million homes and businesses connected to the network at the end of December.

Our revenue growth, in combination with declining operating costs has led to **nbn** achieving a 32 per cent increase in our underlying performance metric of EBITDA before subscriber costs, which was $1.63 billion for the first half of fiscal 22.

This strong operating result and the continuing decline in subscriber costs, as we move beyond the initial **nbn™** rollout, has led to a $1.08 billion improvement in our EBITDA result – reaching $1.5 billion for the period.

Capital expenditure for the half was $1.16 billion, which was a decrease of 19 per cent compared to the prior comparative period.

In line with expectations our borrowings have increased by 4 per cent since the 30th of June to $24.7 billion.

Borrowings have continued to fund ongoing operating activities and our $4.5 billion network investment plan.

And I'll talk in more detail about our debt raising progress later in my presentation.

And finally, on the headline results, our operating cash flows excluding subscriber costs have increased by 27 per cent to over $1.5 billion for the half-year, as a result of the growth in EBITDA, effective working capital management and strong cash conversion.

Revenue, customer base and speed tier mix

The next slide outlines the drivers of our revenue growth…..

As I previously mentioned, this growth is primarily driven by the increase in our customer base with approximately 460,000 additional homes and businesses connecting to the **nbn**™ network over the past twelve months bringing the total number of premises activated on the network to 8.4 million at the end of December.

Further supporting the growth in revenue was a $1 uplift in residential ARPU to $46. This uplift in residential ARPU was driven by customer demand with more and more customers selecting or upgrading to higher speed tier plans. At the end of December, 76 per cent of customers were on a 50 Mbps or higher speed tier plan.

Operating expenditure continues to decline

Now moving to operating expenses on the next slide ………………

I am very pleased to say that Operating expenses, excluding subscriber costs, have reduced by 11 per cent compared to the prior period to $914 million for the half.

At the category level – Direct network costs grew by 10 per cent due to the expansion of the network footprint and the increase in our customer base.

Employee benefits expenses decreased by 28 per cent due to the reduction in FTEs following the completion of the initial build and our continued focus on maximising cost efficiencies through simplification and digitisation of internal operations.

Other expenses reduced by 7 per cent, also as a result of the ongoing focus on cost efficiency across the business.

In line with expectations, Subscriber costs have continued to decrease post the peak of disconnection and customer migration activity from legacy Telstra and Optus networks -and we continue to expect that these costs will cease in FY23.

Continuing EBITDA momentum

Moving to EBITDA on the following slide……

The graphs on this slide illustrate the continued improvement and momentum in our EBITDA position over recent periods, with EBITDA reaching $1.5 billion for the first half of fiscal 2022.

EBITDA before subscriber costs is equivalent to an “underlying EBITDA” result, as subscriber payments are a non-recurring expenditure.

We are very pleased with the underlying EBITDA result and the underlying EBITDA margin trajectory you can see on the top of the slide, which has continued to improve and was 65 per cent for the first half of fiscal 22.

The growth in these metrics is a key focus for the Company in order to fund our future network upgrade commitments as well as our debt and lease financing obligations.

Capital Expenditure

Now turning to the next slide on capital expenditure…….

As I previously mentioned, capital expenditure for the period was $1.16 billion , which has decreased in comparison to the first half of fiscal 21 by 19 per cent, predominantly due to the completion of capital works associated with the initial volume build and customer connections.

As I mentioned at our last results announcement, it is important to remember that capital investments will be required on an ongoing basis to ensure the network meets future customer demand.

So, while we have seen a decrease against the comparative period, our capex trajectory will fluctuate in future periods based upon the timing of our investments in the next evolution of the **nbn™** network.

During the last six months, we have continued to invest on behalf of our customers with capital expenditure incurred for the following:

- Firstly, we have continued to execute our $4.5 billion network investment plan as outlined in our Corporate Plan, which includes our commitment to ongoing investment in rural and regional Australia.
- In addition, working with our delivery partners we connected over 190,000 new customers to the network over the last six months and extended the reach of the network in support of new developments.
- We have also continued to invest in network capacity upgrades to meet the growing consumer demand for data and higher speed products.
- Investments in business grade products including Enterprise Ethernet services have also continued.
- And finally, investments in software development, network resilience and security capabilities are ongoing to ensure the delivery of secure operations.

Capital Summary

Now moving to our capital summary overview on the following slide.

Our capital management strategy remains focused on executing our financing strategy, which includes refinancing the Commonwealth loan by June 2024 and funding our network investment plan while maintaining a strong liquidity position.

At the end of December, the company had successfully raised $19.8 billion from bank facilities and domestic and global capital market debt issuances, of which $5.6 billion was raised during the last six months.

These successful debt raisings firmly establish **nbn** as one of the nation's largest corporate borrowers and continue to emphasise our growing maturity as an organisation and the confidence external lenders have in our operations, network and business model.

These raisings have also enabled the Company to repay a further $5.8 billion of the Commonwealth loan, reducing the outstanding balance to $7.4 billion.

The Commonwealth loan attracts a fixed interest rate of 3.96 per cent, and the progressive refinancing of the Commonwealth loan via a more diverse range of funding sources has reduced the weighted average cost of drawn debt to 2.29 per cent from 2.79 per cent at June.

We look forward to welcoming new investors during the second half of fiscal 22 as we continue to raise debt from local and global capital markets.

Strong cash conversion underpinning cash flow performance

On the next slide….. you can see a summary of our cash flows for the 6 months ended 31 December 2021.

Operating cash flows have continued to grow due to the combined effect of revenue growth, declining operating expenditure and strong cash conversion.

The key call out on this slide is the 66 per cent improvement of our free cash flow result compared to the prior comparative period.

This growth is driven by the combination of higher operating cash flows and lower capital expenditure, as well as lower subscriber costs and interest payments.

HY22 Statutory results

Turning to my final slide…..you can see the statutory Profit or Loss statement for the half year, which is presented in accordance with statutory accounting principles.

I have already discussed revenue, expenses and EBITDA in greater detail in the preceding slides, but I would like to acknowledge the bottom line NPAT result.

The statutory net profit after tax or NPAT result for the first half of fiscal 22 was a loss of $857 million, which is a 59 per cent improvement on the prior period loss of $2.1 billion.

This result is in line with our expectations and reflects where **nbn** is currently at in its lifecycle as a Company.

The establishment of **nbn** has required significant up-front investment to construct the network and connect customers well before our EBITDA position reaches maturity.

Overall, these are a strong set of results, and the Company remains on track to meet the guidance targets as laid out in our 2022 Corporate Plan, which as a reminder includes the revenue target of $5-5.2 billion and an EBITDA target of $3-$3.2 billion for the 2022 financial year.

With that, I will hand back over to Stephen.