



# **NBN Co Limited**

## **Half Year Results**

### **HY24**

8 February 2024

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**Stephen Rue**  
Chief Executive Officer



More than 20 million people rely on the nbn<sup>®</sup> network every day

**Network**

**8.58m**

Homes and businesses connected

31 Dec 2022: 8.53m

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## Delivering access to nbn's highest speed services

Progress on fibre upgrade programs				
	31 Dec 22	30 June 23	31 Dec 23	Increase/(Decrease) in HY23
% of Fixed Line network capable of delivering <b>nbn</b> ® Home Ultrafast plans	55%	62%	75%	13%
FTTN/C premises able to order a FTTP upgrade	1,362,343	2,013,394	3,495,888	1,482,494
# of premises upgraded to FTTP	30,380	89,626	197,408	107,782

- NBN Co has continued to provide more customers with access to **nbn**® Home Ultrafast plans (from 500 Mbps to close to 1 Gbps). As at 31 December 2023, more than 8.4 million premises across Australia (75% of the Fixed Line network) are now able to access the **nbn**® Home Ultrafast speed tier
- FTTP and HFC served premises are already fully enabled to deliver **nbn**® Home Ultrafast. 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
- Almost 3.5 million FTTN and FTTC premises have been made eligible to order an FTTP upgrade as at 31 December 2023. This is an increase of over 1.4 million premises compared to 30 June 2023
- As at 31 December 2023, over 197 thousand premises had upgraded onto a higher speed fibre service
- The rate of upgrade orders is increasing as more of the FTTN and FTTC network is made available for upgrade orders





# Delivering greater cost certainty, simplicity and value for the industry

In October 2023, NBN Co welcomed the Australian Competition and Consumer Commission's (ACCC's) approval of the Company's Special Access Undertaking (SAU) Variation.

An accepted SAU Variation provides:

- Greater cost certainty for retailers
- Significant long-term cost savings for customers in comparison to the previous wholesale price structure due to the elimination of CVC (capacity) charges from NBN Co's higher speed tiers, given the trend for data demand to double every three years or so
- The ability for NBN Co to meet the expected growth in data demand over the next two decades while, subject to market conditions, earning the revenues required to invest in the network and deliver faster speeds and greater data capacity to customers



## nbn's key performance metrics are on track to meet FY24 guidance

**Company  
performance**

**\$1.99bn**

EBITDA – Up 10%

HY23: \$1.81bn

**\$2.75bn**

Revenue – Up 5%

HY23: \$2.63bn



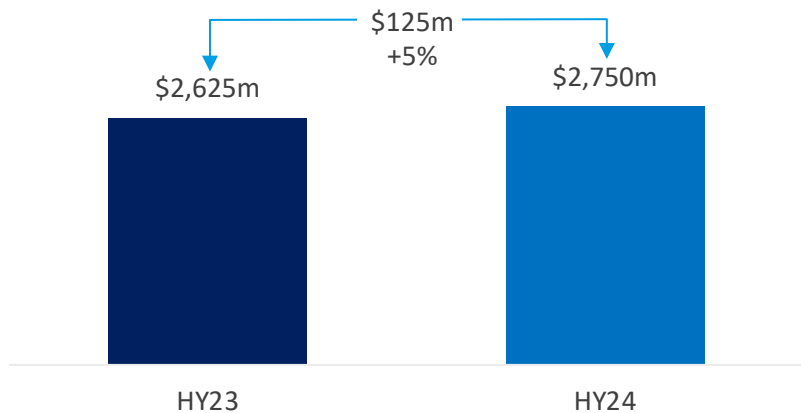


**Philip Knox**  
Chief Financial Officer

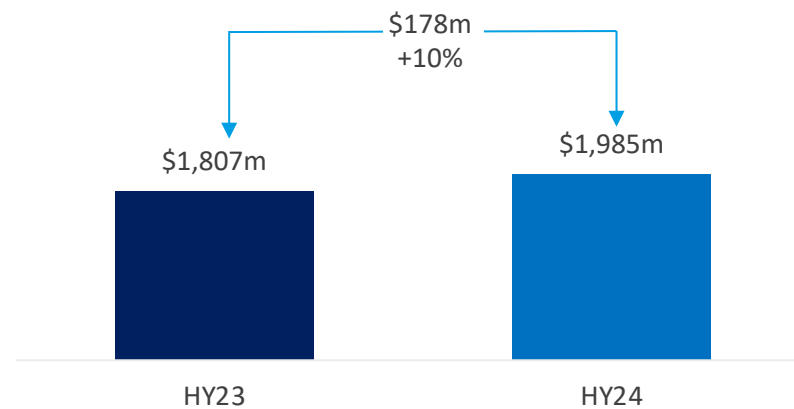


# Headline results HY24

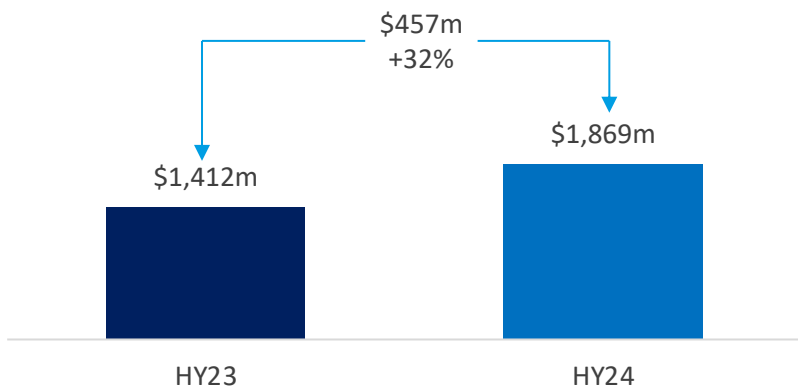
## Revenue



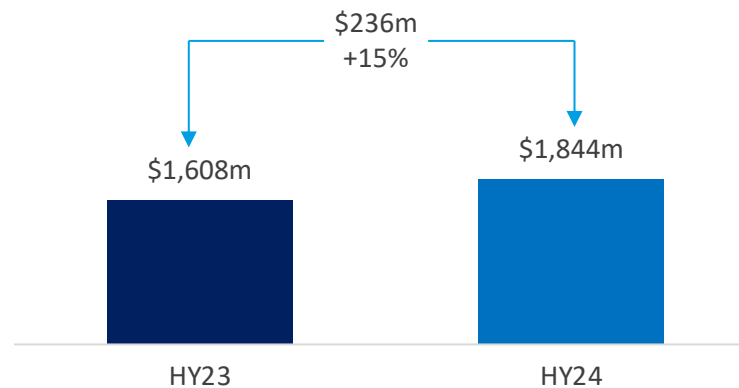
## EBITDA



## Capital Expenditure



## Operating cash flows<sup>1</sup>



<sup>1</sup> Excluding receipts from government grants and infrastructure lease payments

# Revenue and customer base

## Consistent HY24 revenue performance supported by customer demand

\$m	For the 6 months ended		
	31 Dec 22	31 Dec 23	% Increase/ (Decrease)
Telecommunications revenue	2,563	2,625	2%
Other revenue	62	125	102%
<b>Total</b>	<b>2,625</b>	<b>2,750</b>	<b>5%</b>
Activations (premises)	8,533,122	8,582,734	1%

- Increase in Telecommunications revenue continues to be driven by growth in customer base and customer demand for higher speed products
- Over 8.58 million homes and businesses are now connected to the **nbn**<sup>®</sup> network, up 1% compared to 12 months ago
- Residential ARPU remained flat at \$47
- Business revenue grew 4% to \$570 million for the six months ended 31 December 2023
- Other revenue increased significantly due to higher volumes of fibre deployment activity for new developments and co-investments





## Operating expenditure continues to decline

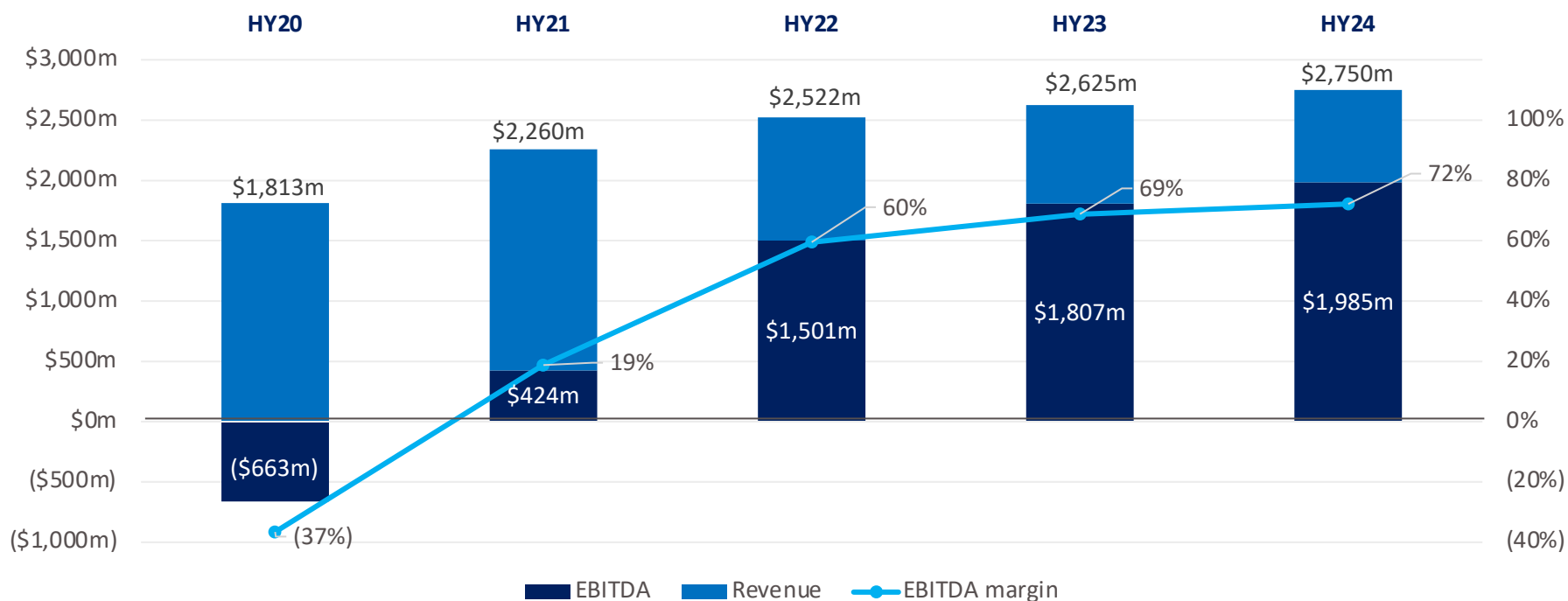
\$m	For the 6 months ended		
	31 Dec 22	31 Dec 23	% Increase/ (Decrease)
Direct network costs	319	293	(8%)
Employee benefits expenses	329	297	(10%)
Other operating expenses	238	244	3%
<b>Total operating expenses</b>	<b>886</b>	<b>834</b>	<b>(6%)</b>
Operating expenses as a % of revenue	34%	30%	(4%)

- Lower direct network costs as a result of strong network performance and ongoing initiatives to deliver cost efficiencies
- Decline in employee benefits expenses due to reduced headcount as NBN Co continues to focus on simplification and digitisation of its operations
- Other operating expenses remained steady despite inflationary pressures

# Continuing EBITDA momentum

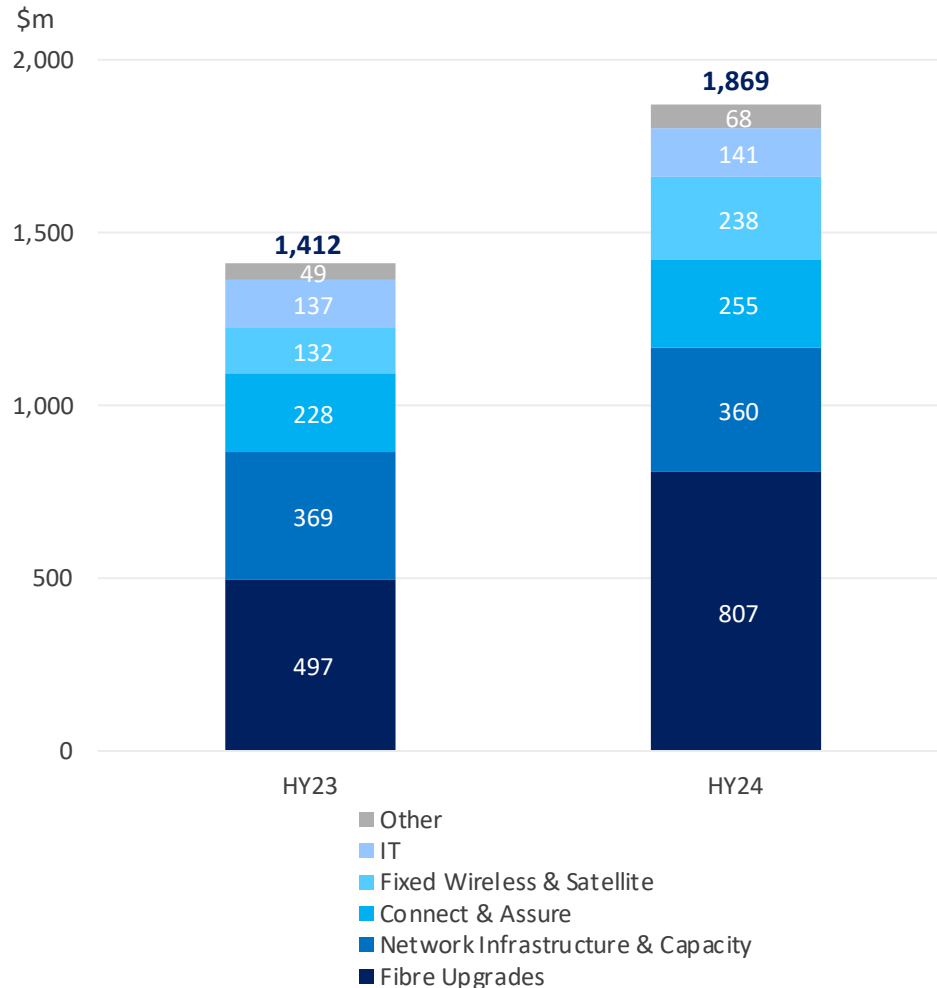
- The combined impact of steady revenue growth and lower operating costs continues to drive improved EBITDA performance
- EBITDA margin continues to grow in line with expectation, reaching 72% for HY24, up from 69% in HY23

Revenue, EBITDA and EBITDA margin



# Capital Expenditure

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



NBN Co continues to invest in the **nbn**® network on behalf of our customers. Capital expenditure in HY24 has increased compared to the corresponding period driven by the following:

- 1 \$807 million of continued investment in fibre upgrades to enable more FTTN and FTTC customers to access FTTP technology and deliver fibre connections to upgraded premises
- 2 \$360 million incurred to provide fibre network infrastructure to new developments and business customers and to deliver incremental network capacity to cater for increasing network traffic demand
- 3 Invested \$255 million to connect customers and proactively maintain the **nbn**® network. This increased compared to HY23 due to inflation-induced labour and equipment cost rises and greater volume of certain assurance activities on the network
- 4 Fixed Wireless and Satellite capacity investments of \$238 million, have increased in correlation with the delivery of the Fixed Wireless and Satellite Upgrade Program which is planned to be completed by December 2024
- 5 Continued investment of \$141 million in software and system development



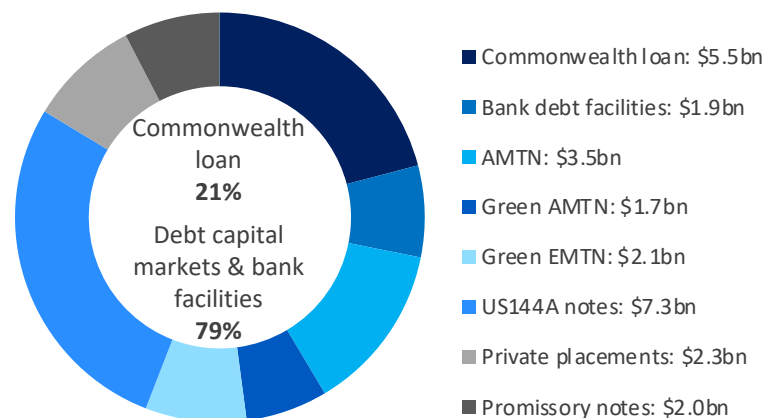
# Capital Summary

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

Debt overview	As at	
	30 June 23	31 Dec 23
Contributed equity (\$m)	29,805	30,351
Company debt (\$m) <sup>1</sup>	25,823	26,375
Weighted average cost of drawn debt <sup>2</sup>	3.17%	3.30%
Fixed interest ratio <sup>3</sup>	92%	97%
Weighted average duration of available debt (years) <sup>4</sup>	4.4	4.6
Available liquidity (\$m) <sup>5</sup>	4,510	7,281

- Capital strategy remains focused on refinancing the Commonwealth loan by June 2024, funding network investments and maintaining a strong liquidity position
- During HY24, NBN received over \$546 million of equity funding as part of the Commonwealth Government's commitment to provide NBN Co with up to \$2.4 billion to support additional fibre upgrades
- The weighted average cost of drawn debt has marginally increased during the 6-month period to 31 December 2023 due to higher market interest rates
- Liquidity increased from \$4.5 billion as at 30 June 2023 to \$7.3 billion as at 31 December 2023 as NBN prepares to repay the Commonwealth loan by 30 June 2024
- In the 6-month period to 31 December 2023, NBN Co raised a further \$3.4 billion in bank and capital markets debt, mainly due to:
  - \$850 million 5-year AMTN Green Bond
  - US144A bond issuance of USD \$1.25 billion (AUD \$2.0 billion) across a dual- tranche offering
  - Private placements for 12-year EUR 90 million (AUD \$150 million), 12-year GBP 100 million (AUD \$193 million) and 10-year HKD 470 million (AUD \$91 million)

## Summary of borrowings as at 31 December 2023<sup>6</sup>



1 Principal value of drawn debt, including overdraft facility but excluding hedge valuation adjustments, accrued interest and fees

2 Includes the impact of interest rate hedging activities but excludes the amortisation of fees

3 Percentage comprises fixed and floating rate debt that has been hedged as a proportion of total debt. Excludes forward starting interest rate swaps

4 Excluding the Commonwealth loan and promissory note issuances

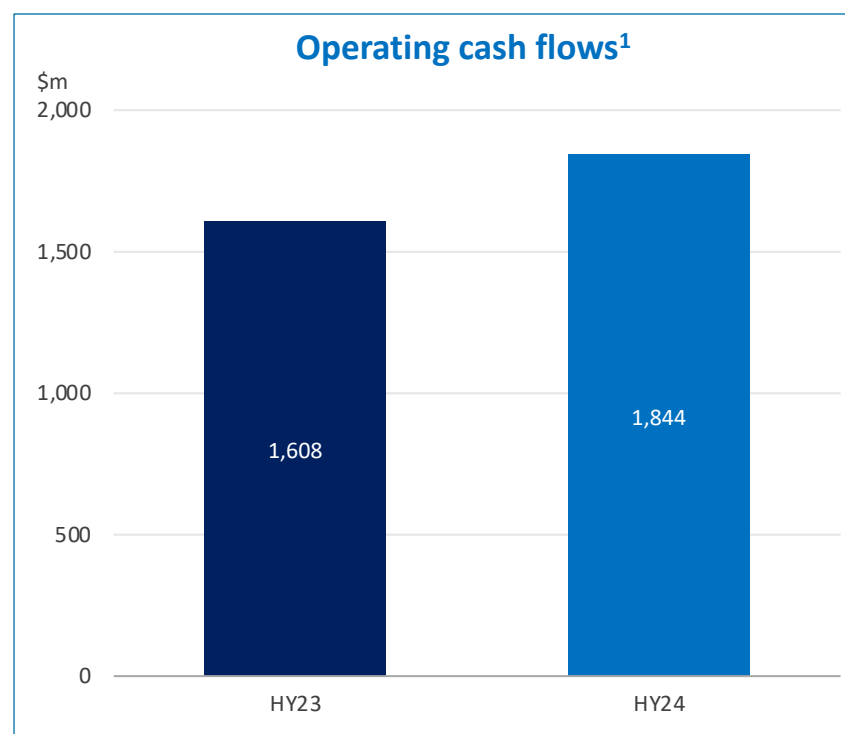
5 Excluding uncommitted debt with less than 12 months to maturity. Comprised of undrawn bank facilities, cash on hand less promissory note issuances and overdraft facility

6 The figures presented in the graph have been rounded to the nearest 1 decimal place

# Improving operating cash flow performance

- Operating cash flows continue to improve in line with the EBITDA performance of the Company
- In line with expectations, free cash flow declined due to higher capital expenditure incurred to deliver the fibre upgrade program. Lease and interest payments also increased compared to HY23 due to inflationary increases on lease arrangements and higher borrowings and interest rates
- During the period, NBN received over \$546 million in equity funding from the Commonwealth Government which has been utilised to fund the increase in capital expenditure associated with the fibre upgrade program

\$m	For the 6 months ended	
	31 Dec 22	31 Dec 23
Operating cash flows <sup>1</sup>	1,608	1,844
Receipts of Government grants	3	1
Capital expenditure	(1,401)	(1,921)
Lease payments	(537)	(575)
Interest paid on borrowings and other financial liabilities	(296)	(409)
<b>Free cash flow</b>	<b>(623)</b>	<b>(1,060)</b>
Equity received from the Commonwealth	-	546



<sup>1</sup> Excluding receipts from government grants and infrastructure lease payments



# HY24 Statutory Results

NBN Co is on target to meet its key revenue and EBITDA financial targets as outlined in the Corporate Plan

\$m	For the 6 months ended			
	31 Dec 22	31 Dec 23	% Increase /(Decrease)	
Total revenue	2,625	2,750	5%	<ul style="list-style-type: none"> <li>Growth in revenue driven by increased customer base and demand for higher speed products, as well as higher other revenues from fibre deployment to new developments and co-investment programs</li> </ul>
Operating income	68	69	1%	<ul style="list-style-type: none"> <li>Consists of income recognised for Fixed Wireless upgrade grants and the Regional Broadband Scheme</li> </ul>
Operating expenses	(886)	(834)	(6%)	<ul style="list-style-type: none"> <li>Decreased due to lower employee benefit expenses and ongoing initiatives to drive network performance and cost efficiency</li> </ul>
<b>EBITDA</b>	<b>1,807</b>	<b>1,985</b>	<b>10%</b>	<ul style="list-style-type: none"> <li>EBITDA increase of 10%</li> </ul>
Depreciation and amortisation expense	(1,488)	(1,638)	10%	<ul style="list-style-type: none"> <li>Higher depreciation and amortisation expense resulting from the re-estimation of useful lives of network assets and increasing asset base due to ongoing capital investment</li> </ul>
Other income	17	23	35%	<ul style="list-style-type: none"> <li>Non-cash income from gifted 'pit and pipe' assets</li> </ul>
<b>EBIT</b>	<b>336</b>	<b>370</b>	<b>10%</b>	<ul style="list-style-type: none"> <li>EBIT movement of 10% to \$370 million from \$336 million in HY23</li> </ul>
Net finance costs	(786)	(919)	17%	<ul style="list-style-type: none"> <li>Increase driven by a combination of CPI increases on leasing arrangements, higher average debt borrowings and a higher weighted average cost of debt during the period</li> </ul>
Income tax benefit/ (expense)	6	(147)	\$153m decrease	<ul style="list-style-type: none"> <li>Non-cash impact related to deferred tax accounting treatment associated with hedge accounting for financial derivatives</li> </ul>
<b>NPAT</b>	<b>(444)</b>	<b>(696)</b>	<b>57%</b>	<ul style="list-style-type: none"> <li>57% or \$252 million decline in statutory NPAT</li> </ul>





**Stephen Rue**  
Chief Executive Officer





## nbn's network upgrades continue to lift the digital capability of Australia



Monthly data use has grown tenfold in Australia during the past decade.

Ten years ago, households had on average 7 internet connected devices.

Today, that number is 22 and **nbn** expects this to grow to around 33 connected devices by 2026.



**169,000**

New jobs created over the last decade by **nbn**'s higher average broadband speeds

**113,000**

Additional jobs created by 2030 through improvements to Australia's digital capability

**55,000**

Estimated new businesses created by 2030

**282,000**

Jobs created overall by the **nbn**<sup>®</sup> network





## Powering education opportunities across the nation

NBN Co continues to support the Australian Government's School Student Broadband Initiative (SSBI).

- Surpassed 6,000 connections.
- In October 2023, the SSBI National Referral Centre was launched by Communications Minister Michelle Rowland.
- Eligible families with school aged students who are not connected to services over the **nbn**® network can now self-nominate for the offer, rather than relying exclusively on referrals by a participating organisation.



## Supporting Australia's transition to a net-zero emissions economy

### Wyalong Solar Farm

**nbn** is contracted to take approximately 90 GWh per annum

### Macarthur Wind Farm

**nbn** is contracted to take approximately 90 GWh per annum

### Munna Creek Solar Farm

**nbn** is contracted to take approximately 59 GWh per annum

### Replacing copper with fibre

Delivering faster speeds, greater energy-efficiency, and helping to make the **nbn**® network more reliable and resilient





## Empowering the nation's digital future

- Delivering on the fibre upgrade program to enable up to 90% of the fixed line network to access **nbn**® Home Ultrafast speed tier plans by the end of 2025.
- Enhancing the **nbn** Fixed Wireless Plus wholesale plan.
- Proposing to launch two additional fixed wireless wholesale high-speed tiers.
- Continuing to evaluate network technology developments that will enable Australia's digital economy.





# Questions



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