Chief Financial Officer - Philip Knox

Thanks Stephen – and good morning to everyone on the call today.

I am pleased to say that our financial results for fiscal 23 demonstrate our solid financial performance and continued growth.

Headline results / Financial Year 23

Starting with my first slide, you can see the headline results for the 2023 financial year. These results show the performance in the last 12 months and also provide a reminder of the growth and progress we have made as a business when we compare ourselves to the previous year.

I'll talk in further detail about each of these metrics on the following slides, but you can see that total revenue has grown by 3 per cent on the prior year to $5.3 billion dollars for the year and EBITDA has improved to $3.6 billion dollars. These financial results are firmly within the guidance range provided within the 2023 Corporate Plan, which was between $5.2 and $5.4 billion dollars for revenue and between $3.4 and $3.6 billion dollars for EBITDA.

The significant improvement in our EBITDA result, which has grown by 15 per cent against the prior year - is a result of the combined effect of revenue growth and lower operating costs.

Capital expenditure rose to over $3.0 billion dollars for the year - an increase of 22 per cent on the prior year - as we continue to invest to upgrade our network.

The final metric to highlight is our operating cash flows, which you'll note exclude government grants and infrastructure lease payments. Operating cash flows have increased by 17 per cent compared with last year, to $3.3 billion dollars, which correlates to our EBITDA performance and demonstrates our strong cash conversion.

Revenue, customer base and speed tier mix

Looking at revenue and activations in more detail on the next slide…

The 3 per cent increase in total revenue is driven by a combination of

- growth in our customer base, with 8.56 million premises now activated on the network at the end of June 2023, which is a 1 per cent increase compared to a year ago; and
- Improved ARPU performance, which is demonstrated by higher Residential ARPU of $47 compared to $46 at this point last year.

The growth in activated premises continues to stabilise as the Company has moved beyond the initial build and subsequent connection of first time NBN customers.

The increase in other revenue to $132 million dollars is primarily due to completion of technology choice upgrade works and a higher volume of new development fees.

Delivering access to nbn’s highest speed services

The next slide provides an update on our fibre upgrade programs…

nbn is making good progress on its target to make 90 per cent of the fixed line network able to access **nbn**’s highest speed services. At the end of June 2023 more than 6.9 million premises across Australia are now able to access **nbn** Home Ultrafast, this equates to 62 per cent of the fixed line network – which is an increase from 47 per cent back in June 2022.

Premises served by FTTP or HFC technology are already fully enabled to deliver **nbn**’s highest speed services. As well as newly developed FTTP Greenfield premises, the increase in the number of premises capable of ordering **nbn** Home Ultrafast is driven by the progress made on **nbn**’s fibre upgrade programs.

There are now over 2 million FTTN and FTTC premises, which are eligible to order an FTTP upgrade. This has increased by over 1.5 million premises since 30 June 2022.

As at 30 June 2023, almost 90 thousand premises had upgraded onto a higher speed fibre service and as of today this number is now above 100 thousand premises.

Operating expenditure continues to decline

Now moving to operating expenses on the next slide…

I am pleased to say that operating expenses decreased by 11 per cent compared to the prior year, to $1.8 billion dollars. As a percentage of revenue, operating expenses now stand at 34 per cent, falling from 40 per cent as of 12 months ago.

At a category level, direct network costs decreased by 15 per cent which was primarily driven by our continued focus on network performance and delivering efficient operation and maintenance of the network.

Employee benefits expenses were 8 per cent higher than last year. This was largely due to the termination costs associated with the significant work force changes made by **nbn** during the year as we continue to optimise our operations. Otherwise, underlying employee costs remained consistent compared to the prior year.

Other operating expenses decreased by 25 per cent from last year. This category covers a wide range of expenditure. The main driver is the decline in subscriber costs, which have now virtually ceased, and this has driven a decrease of $174m compared to the prior year. Despite the inflationary pressures, **nbn**'s other operating expenses excluding subscriber costs were stable compared to the prior year.

Continuing EBITDA momentum

Turning to EBITDA on the following slide…

The graphs on this slide illustrate the continued improvement in our EBITDA result and the trajectory of our EBITDA margin. EBITDA reached $3.6 billion dollars for the year, with the EBITDA margin increasing to 68 per cent, up from 61 per cent a year ago. As discussed earlier, this improvement is due to a combination of revenue growth and other income, as well as declining operating costs.

Capital expenditure

Now moving to capital expenditure….

During the year, we continued to make significant investment into the ongoing evolution of the **nbn** network and connecting our customers. Our capital expenditure increased to $3.0 billion dollars for the year, up from $2.5 billion dollars in the prior year.

Our capital expenditure can be summarised across five main areas:

- Firstly - We invested $1.1 billion dollars in delivering our FTTN and FTTC upgrade programs to make more premises eligible to order an upgrade to FTTP. This expenditure includes the design and construction of distribution fibre infrastructure as well as costs to connect upgraded premises via a fibre lead in. This has increased by $378 million dollars compared to the prior year due to the growing scale of the upgrade programs.

- We spent $778 million dollars to design and build new network infrastructure and increase capacity across our network.
- We incurred $472 million dollars to connect and assure our customers. This level of expenditure has decreased from $576 million in the prior year, due to the reduction in first-time connection volumes as we moved beyond the initial rollout build.
- We invested a further $306 million dollars in software and systems to drive ongoing operational simplicity initiatives in support of our strategic objectives
- And we have increased our capital investment in upgrading our Fixed Wireless and Satellite networks to $280 million dollars. This exceeded the prior year costs – which is in line with the scale delivery of the Fixed Wireless upgrade program
- Other capex consists of capital expenditure on network management and various operational support activities.

Capital summary

On the next slide we can see a summary of our debt and equity funding……

In June 2023, we received $305 million of equity funding from the Commonwealth Government, following its commitment to provide $2.4 billion in additional equity by June 2026. This funding supports the delivery of an additional 1.5 million homes and businesses previously served by FTTN to be eligible for an upgrade to FTTP technology over the next 3 years.

Our capital strategy remains focused on refinancing the Commonwealth loan by 30 June 2024, maintaining a healthy liquidity position and a long-term fixed rate debt profile. Our overall debt balance has increased to $25.8 billion to help fund our capital investments.

The weighted average cost of drawn debt has increased during the year due to rising market interest rates. However, we have largely been shielded from the full effect of these higher rates, as a result of our hedging strategy - which has meant we have hedged a significant portion of our floating debt portfolio.
We continue to monitor and closely manage the interest and foreign exchange risks of our debt portfolio in accordance with our Treasury Risk Policy.

During fiscal 23, we continued to execute our refinancing plan and raised a further $5.7 billion dollars in bank and capital markets debt.

A key component of our debt raising activity in the year has been the successful raising of 1.35 billion EUROs – the equivalent of over $2.1 billion Australian dollars from our inaugural European Green Bonds issuance. The transaction makes NBN the first Australian Government Business Enterprise to issue Green Bonds in Europe.

This year also saw the successful launch of NBN's inaugural Promissory Note Programme, under which we have raised $2.0 billion dollars. The success of the Promissory Note Programme has diversified our funding sources.

We have repaid an additional $875 million of the Government Loan during the year, reducing the remaining balance to $5.5 billion dollars as at 30 June 2023

Improving operating cash flow performance

Looking at operating cash flows…which I note exclude receipts from government grants and infrastructure lease payments, continue to improve in line with the EBITDA performance of the company, which is driven by both revenue growth and lower operating expenditure as previously discussed.

Negative Free cash flow of $1.4 billion has increased compared to the prior year. This was largely driven by the recognition in the prior year of the Fixed Wireless upgrade grant of $480 million, and increased capital expenditure to deliver fibre upgrades and other network investments. Lease and interest payments also increased compared to prior year due to inflationary increases, interest rate rises and higher debt levels.

FY23 Statutory Results

On my final slide…you can see the Statutory Profit or Loss statement for the full year to June 2023, which is presented in accordance with the statutory accounting principles.

The preceding slides have already covered revenue, expenses and EBITDA in greater detail.

Although we recorded a Net Loss After Tax result of $1.1 billion dollars for the year, we note that this continues to improve in line with expectations and the maturity of our business, with a significant 24 per cent improvement compared to the prior year's loss of $1.5 billion dollars.

Operating income has increased compared to the prior year due to the commencement of the recognition of a proportion of the Fixed Wireless Upgrade grant received from the Federal Government in June last year.

I'd also like to highlight a positive EBIT result of $546 million dollars. This is the first year in which the Company recorded a positive EBIT and in addition to the improvement in the EBITDA result, has been aided by the decrease in depreciation and amortisation expense following the re-estimation of the useful lives of certain network assets.

We are pleased with these results, which are in line with our key financial targets.

We remain focussed on seeking revenue growth and optimisation of our cost base as we move towards a sustainable positive cash flow position. This is central to our purpose as it will enable re-investment into our network to meet future customer demand, deliver great customer service and meet our ongoing contractual and funding obligations.

With that, I will hand back to Stephen.