NBN Co

FY21 Financial Results

10 August 2021

Stephen Rue

Chief Executive Officer

Headline Results FY21

Active premises

8.2m

FY20: 7.3m

↑ 13%

Revenue

$4.6bn

FY20: $3.8bn

↑ 21%

Premises ready to connect

12m

FY20: 11.7m

↑ 2%

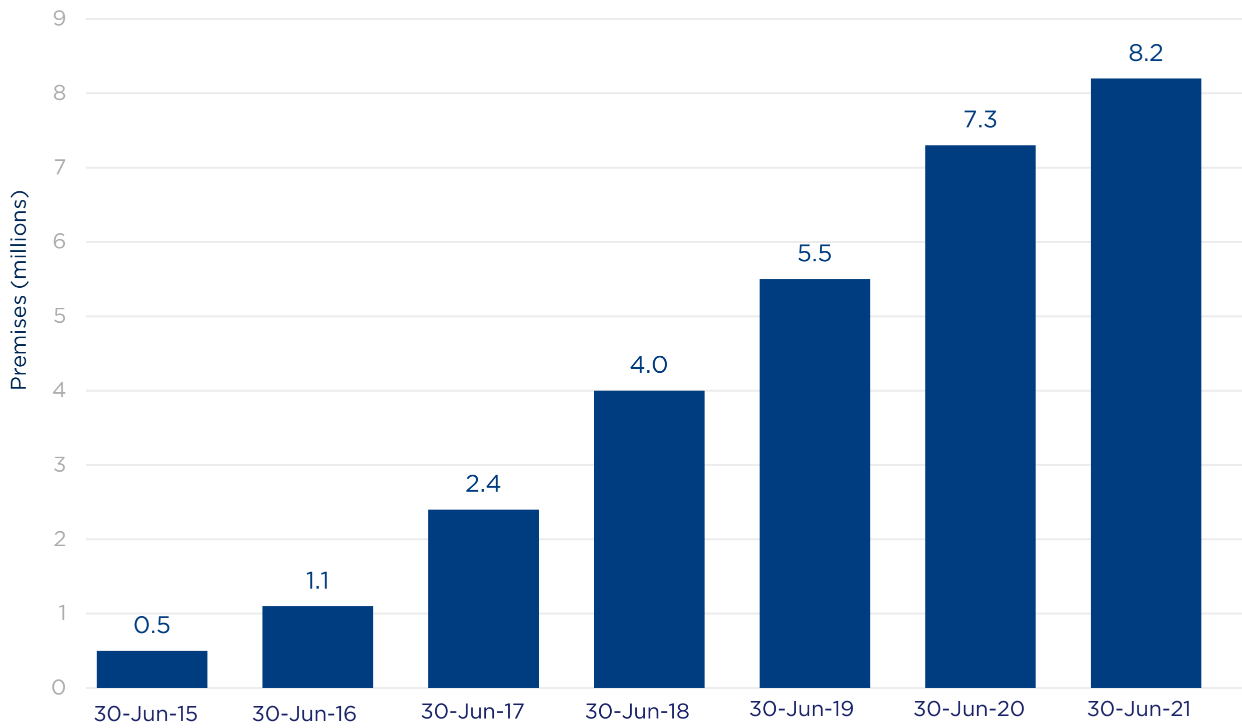
EBITDA

$1.35bn

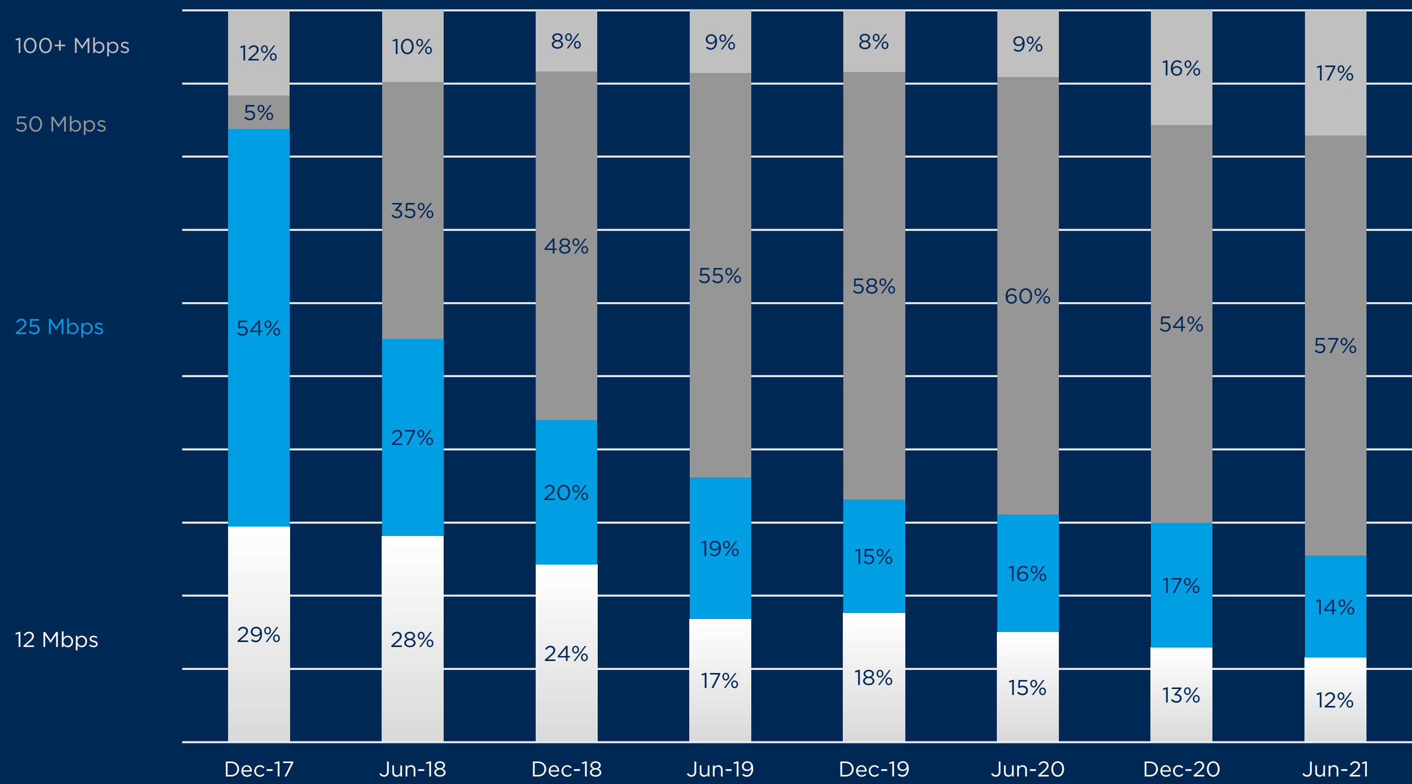
FY20: $0.65bn loss

↑ $2bn improvement

Activation of premises



Speed tier mix



Philip Knox

Chief Financial Officer

Headline Results FY21 – Strong Financial Performance

Total revenue

$4.6bn

FY20: $3.8bn

↑ 21%

EBITDA before subscriber costs

$2.6bn

FY20: $1.8bn

↑ 46%

Capital expenditure

$2.8bn

FY20: $5.0bn

↓ 45%

Activations (premises)

8.2m

FY20: 7.3m

↑ 13%

EBITDA

$1.35bn

FY20: ($0.65bn)

↑ $2bn improvement

Borrowings

$23.8bn

FY20: $20.5bn

↑ 16%

FY21 Statutory Results

$m	For the 12 months ended 30 Jun 20	30 Jun 21	Movement %	
Total revenue	3,837	4,629	21%	• Total revenue exceeded guidance
Operating expenses	(2,071)	(2,048)	(1%)	• Lower labour costs driving decrease in operating expenditure
EBITDA before subscriber costs	1,766	2,581	46%	• Underlying EBITDA up 46%
Subscriber costs	(2,414)	(1,226)	(49%)	• Significant decline in subscriber costs following peak rollout activity
EBITDA	(648)	1,355	n/m	• EBITDA result of $1.35 billion exceeded guidance
Depreciation and amortisation expense	(3,154)	(3,596)	14%	• Depreciation and amortisation increase in line with expansion of network and customer base
Other income	24	24	-	
EBIT	(3,778)	(2,217)	41%	• EBIT up 41%
Net finance costs	(1,460)	(1,621)	11%	• Increasing debt levels driving higher finance costs
Tax benefit	(1)	1	n/m	
NPAT	**(5,239)**	**(3,837)**	27%	• 27% or $1.4 billion improvement in statutory NPAT, exceeding guidance

n/m – not meaningful

Growing revenues and customer base

Strong FY21 revenue performance driven by customer demand

$m	12 months to 30 Jun 20	30 Jun 21	% Increase/ (Decrease)
Telecommunications	3,645	4,448	22%
Other	192	181	(6%)
Total	3,837	4,629	21%
Residential ARPU ($)	$45	$45	-
Activations (premises)	7,267,394	8,200,402	13%

- Accelerated activations profile, with more than 933k new customers connecting to the **nbn**™ network since 30 June 2020
- Despite industry and customer COVID support, Residential ARPU remained steady due to strong demand for higher speed tiers
- 8.2 million homes and business connected to the **nbn**™ network – FY21 activations target met

Increased take-up of faster speed tiers

Total nbn™ network speed tiers (Mbps)	30 Jun 20	30 Jun 21	% Increase/ (Decrease)
Below 50/20	31%	25%	(19%)
50/20 or above	69%	75%	9%
Total	100%	100%	

17%
Of customers on a 100Mbps speed tier or higher

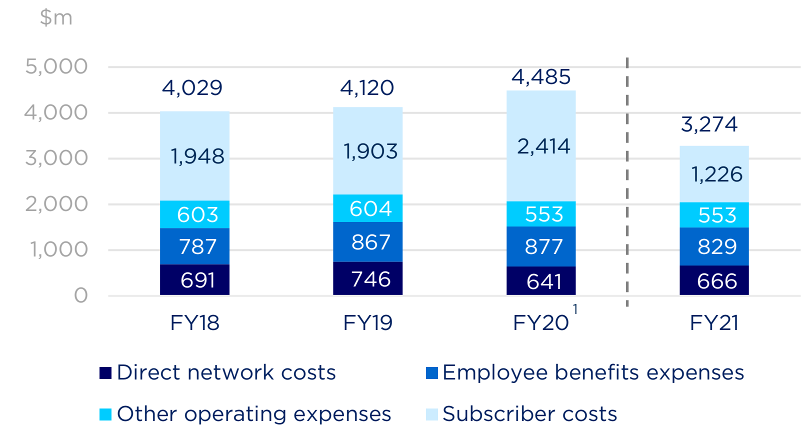
75%
Of customers on a 50Mbps speed tier or higher

- 'Focus on Fast' initiative driving take-up of fastest speed tiers with 17% of customers currently on a 100Mbps or higher speed tier product

Declining Operating Expenditure

$m	12 months to 30 Jun 20	30 Jun 21	% Increase/ (Decrease)	
Direct network costs	641	666	4%	• Increase in direct network costs due to growth in network footprint and customer base
Employee benefits expenses	877	829	(5%)	• Employee benefits expenses lower due to a reduction in FTEs following completion of the initial build
Other expenses	553	553	-	• Other expenses flat
Operating expenses	**2,071**	**2,048**	(1%)	• Total operating expenses declined 1%
Subscriber costs	2,414	1,226	(49%)	• Subscriber costs continue to decrease in line with customer disconnection/migration activity from legacy Telstra and Optus networks – costs to cease in FY23
Total	4,485	3,274	(27%)	

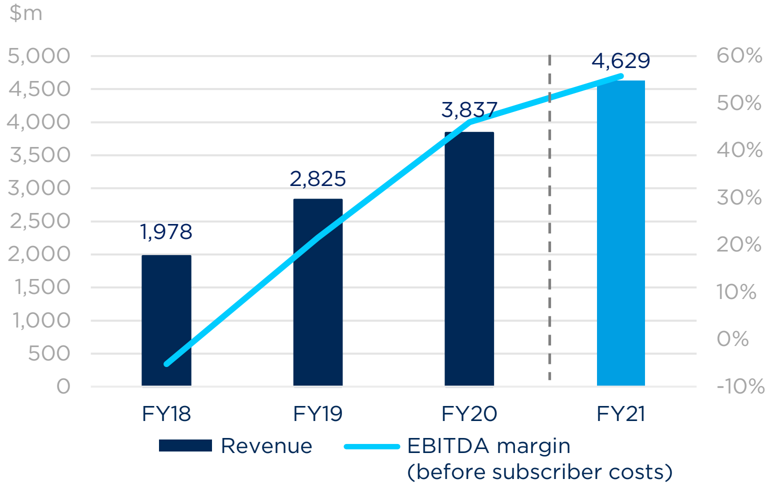
Operating expenses performance (FY18-FY21)



[1] Following the adoption of AASB 16 *Leases* from 1 July 2019, certain operating lease and right-of-use arrangements are no longer accounted for as operating expenses but instead are recognised on the balance sheet as a right-of-use asset and lease liability with associated depreciation and interest expenses recorded in the income statement. The impact of these accounting requirements In FY20 resulted in lower direct network costs of approximately $143 million and lower other operating expenses of approximately $50 million in comparison to the corresponding prior period. This reduction in operating expenses is offset by increased depreciation and amortisation and interest expense in the period.

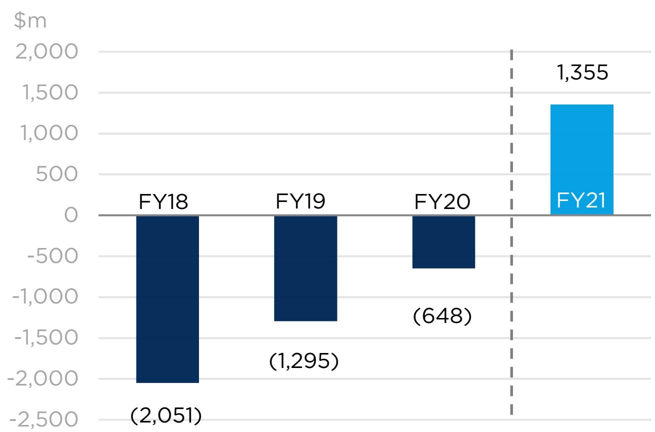
Strong EBITDA Growth

Revenue and EBITDA margin

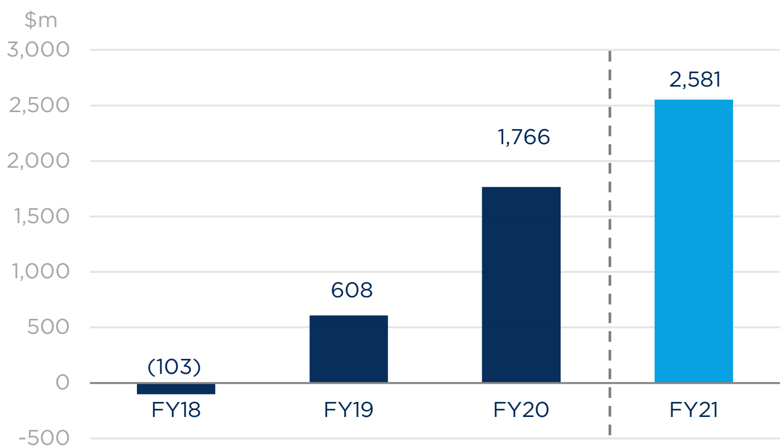


- First full year positive EBITDA result
- $2bn improvement in EBITDA to $1.35bn driven by significant revenue growth and declining subscriber costs
- EBITDA margin (before subscriber costs) growing rapidly

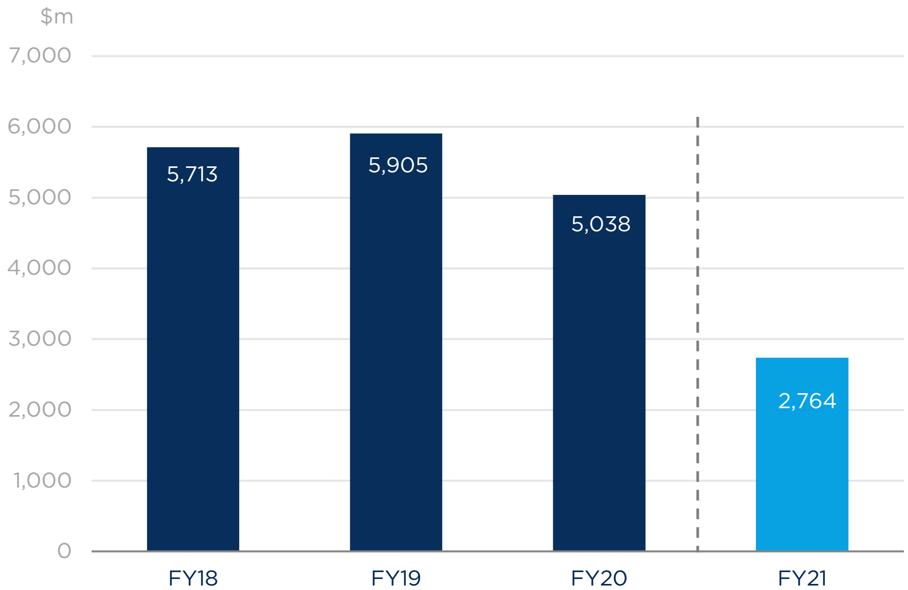
EBITDA



EBITDA before subscriber costs



Capital Expenditure



Capital expenditure in FY21 primarily relates to investments into our customer base, including:

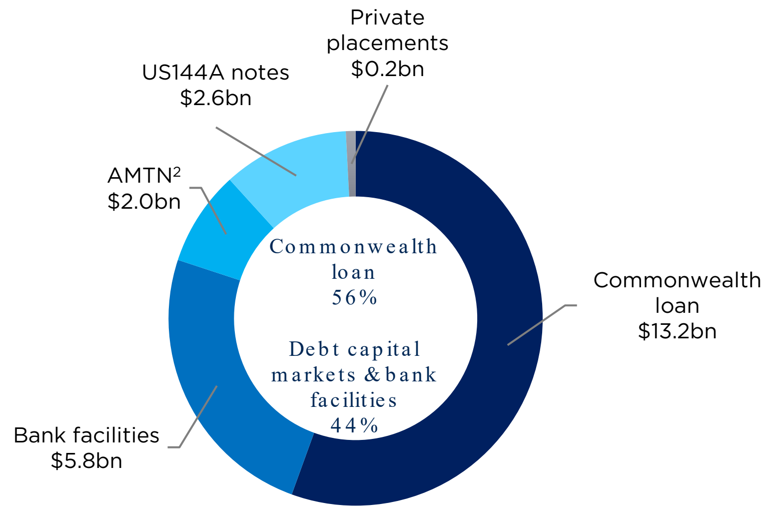
- Connecting over 930k new customers to the network
- Capacity upgrades to cater for growing data demand
- Network expansion through new developments and business premises
- Network upgrade investments to advance reach and capability of the network

Capital Summary

Debt overview	As at 30 Jun 20	As at 30 Jun 21
Group debt ($m)	20,458	23,766
Weighted average cost of drawn debt	3.96%	2.79%
Fixed interest ratio[1]	95%	88%
Average duration of drawn debt (years)	3.8	5.7[3]
Available liquidity ($m)	6,342	3,679
Fitch/Moody's credit rating	-	AA/A1

1 Percentage comprises fixed rate debt and floating rate debt that has been hedged and has a remaining interest period of greater than twelve months, as a proportion of total debt
2 AMTN refers to Australian Medium-Term Note
3 Excluding the Commonwealth loan

Summary of borrowings as at 30 June 2021 ($bn)



- Capital strategy remains focused on refinancing the Commonwealth loan by June 2024 and maintaining a strong liquidity position

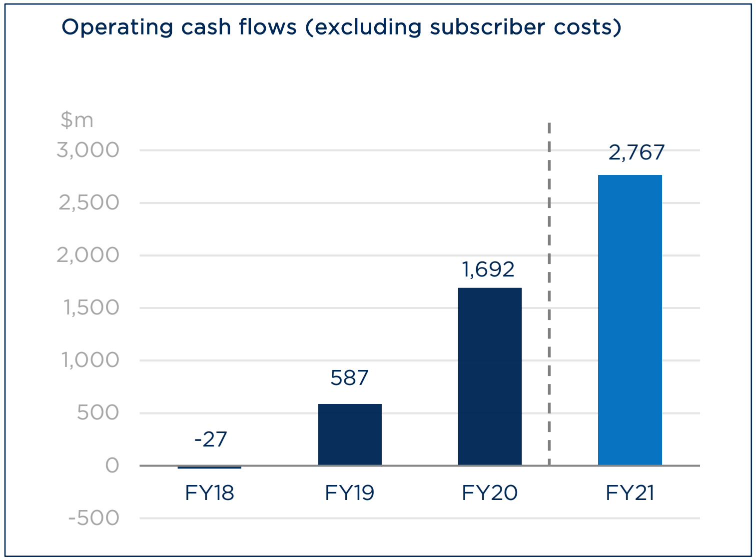
In FY21 successfully raised more than **$8bn** in bank and capital markets debt

- $3.3bn via bank debt facilities
- $2.0bn via Australian Medium-Term Notes (AMTN) issuances
- US$2.0bn (swapped into A$2.6bn) via inaugural US144A / Reg S issuance under Global Medium-Term Notes (GMTN) Programme
- $200m via private placements

- Diversified funding sources have increased the Company's weighted average maturity of debt at a lower weighted average cost

Cash flow performance growing rapidly

$m	30 Jun 20	30 Jun 21	% Increase/ (Decrease)
	For the 12 months ended		
Operating cash flows	1,692	2,767	64%
Payments for subscriber costs	(2,544)	(1,533)	(40%)
Capital expenditure	(5,280)	(3,140)	(41%)
Lease payments	(800)	(912)	14%
Interest paid on borrowings and other financial liabilities	(649)	(750)	16%
Free cash flow	(7,581)	(3,568)	53% improvement



- Operating cash flows growing rapidly due to significant revenue growth and strong cash conversion
- Subscriber payments declining since their peak in FY20

53%
Improvement in free cash flow

- 53% improvement in free cash flow due to higher operating cash flows and lower capital expenditure and subscriber payments, offset by higher lease and interest payments

Stephen Rue

Chief Executive Officer

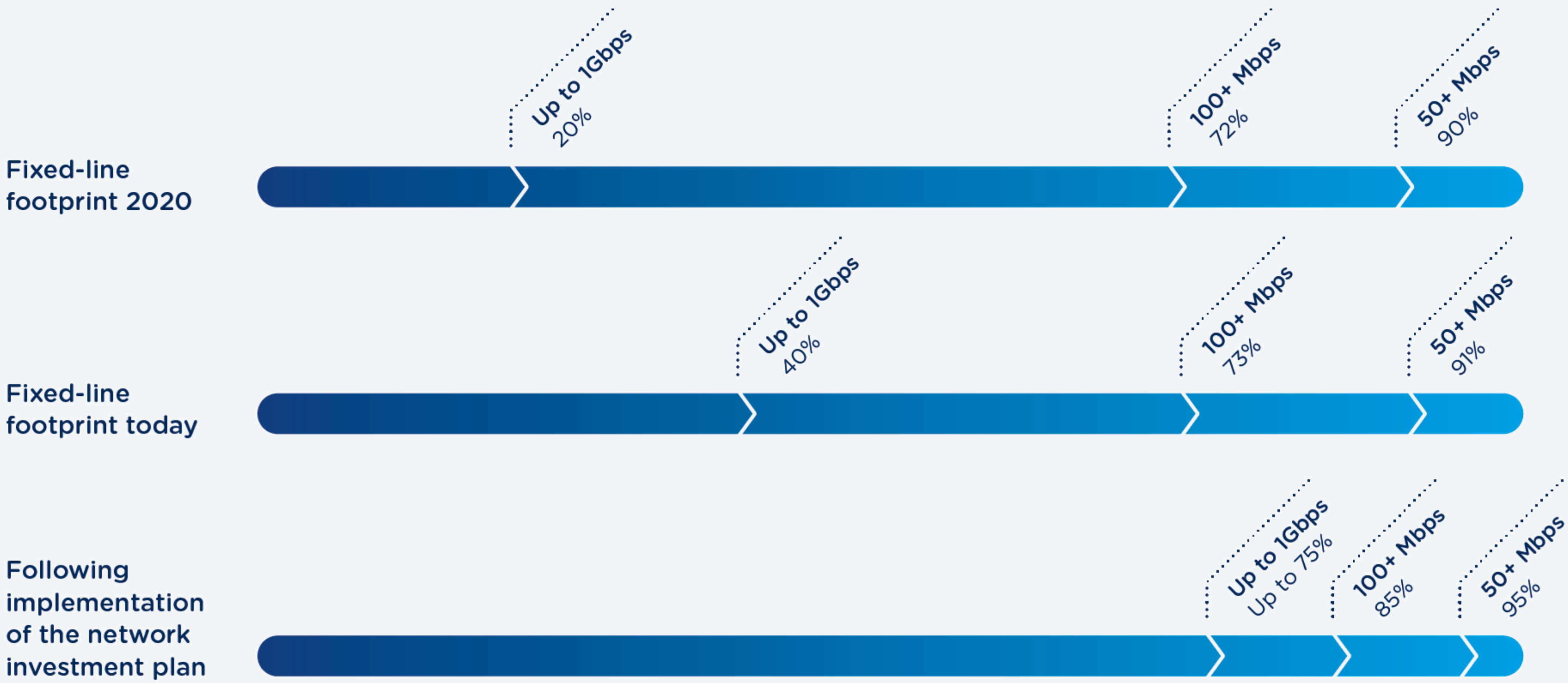
$4.5 billion network investment plan

- Making our highest speed plans available to more Australians
- Supporting the digitisation of Australian businesses
- Working together to co-invest in regional and rural Australia

Investment plan progress

- Identified 1.1 million FTTN premises eligible for on-demand FTTP connections
- Awarded construction contracts to delivery partners with a total value of approximately $1.1 billion as part of FTTN upgrade program.
- 467,000 FTTN premises in design phase and more than 100,000 have been released for construction work
- nbn™ Home Ultrafast plans available to 87 per cent of premises within the HFC footprint at 30 June
- Created 284 nbn™ Business Fibre Zones enabling access to CBD pricing by RSPs for business-grade broadband services
- Opened the application process to local and state governments seeking to co-invest in regional broadband upgrades benefiting residents, businesses and communities in their states

nbn™ fixed-line premises in Australia Download speeds potentially available



Regional Co-investment Fund

- Improve broadband services for Australia's regional, rural and remote communities
- Strengthen relationships with government, industry and communities to optimise customer benefits
- Provide immediate economic stimulus through infrastructure enhancements
- Help regional and rural communities realise the socioeconomic benefits that access to high-speed broadband can unlock.

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Questions