

Stephen Rue – Part one

Good morning and welcome to NBN Co's results announcement for the first quarter ending 30 September 2019.

I'd like to start by extending my condolences to those across Australia who have been affected by these dreadful bush fires, and to give our sincere thanks to the brave men and women who are out battling these fires, helping to save lives, homes and livestock.

In emergency situations like these, our priority is always to support the local community.

I want to reassure the millions of homes and businesses that rely on the nbn for their telecommunications needs that we have in place robust measures to ensure that when disaster strikes, we are on hand to restore services as quickly as possible.

It's important to remember that each of us should prepare for emergency situations and that we should never rely exclusively on one form of communication.

For people living in at-risk areas, it's vital to have plans in place to deal with disruption caused by emergencies and natural disasters.

So please, be safe, and continue to follow the advice of state and territory emergency services.

So with that, let's move onto results.

I trust you've all received the email containing the media release and presentation slides. If not, these materials are now available on our website.

Joining me here today is our Chief Financial Officer Philip Knox. Also joining me are Chief Customer Officer Residential Brad Whitcomb and Chief Customer Officer Business Paul Tyler.

I'll first take you through the key financial results for quarter one, Philip will then take you through the detailed financials before I provide an update on our operations and we open up for Q&A.

As many of you know, after ten years of building this important asset for the nation, we are well and truly on the home stretch and in less than eight months, by the end of June 2020, the volume rollout of the nbn network will be complete.

Our first quarter results show nbn has made a strong start to fiscal 20 as we continue the momentum we need to reach this important milestone.

This year is a sprint to get to the start of a marathon, because once we complete the volume rollout, we will continue to reinvest to upgrade and improve the network and improve customer experience.

Today more than 10.2 million homes and businesses are now ready to connect to the nbn access network and customers in more than 6 million premises have taken up services.

Revenue continues to track strongly with residential ARPU increasing to \$45, up from \$43 in quarter one fiscal 19, as our pricing bundles continue to be well received by the market. Today, more than two thirds of customers are on the 50Mbps speed tier or faster.

This, along with our focus on business customers - which I'll talk of in more detail later - helped increase overall revenue for the quarter by 41 per cent to \$876m.

I'll now hand over to Phillip who will take you through the finer detail of the financials.

Thanks Philip.

--- **PHILIP KNOX** ---

Stephen Rue – Part Two

Thanks Philip.

We've hit the ground running in fiscal 20 which importantly keeps us on the trajectory outlined in our latest Corporate Plan to complete the build beyond the end of June 2020.

As we have noted previously, there will of course be premises that will need to be connected beyond this deadline.

These include new housing stock, culturally significant or heritage sites, complex builds and various other issues outside of our control. But we have dedicated teams in place to work through this pipeline as quickly as possible.

Notwithstanding those, completing the build will be an incredible achievement.

It's not until you compare us to other nations and the networks they have, that you realise just how ambitious building the nbn has been.

I recently returned from Europe where I met with operators from many other countries. When I tell the story of nbn they are astonished by the ambition of this build, and also by how far and how quickly we have come to achieve it.

But what surprised them most was the fact we were building this vital piece of communications infrastructure across a nation of our size, and providing access for all, not just the areas that would be the most commercially attractive.

It is of course important we continue to meet our construction and operational objectives to ensure we get to that completion goal, but going beyond the build, it will be our commitment to connect customers to the network and to lift Australia's digital capability that will drive us.

An important part of that purpose involves focusing on all Australians, no matter where they live.

So with this in mind we recently launched a new business unit that is focused solely on meeting customer needs and raising the digital capability of regional and remote communities across Australia.

This new unit, which is headed by Gavin Williams, represents a redoubling of our commitment to regional Australia, to leave no Australian behind and to ensure all Australians can get the most out of their broadband service and access the benefits of this critical asset.

We have some exciting plans in the pipeline for rural and regional Australia and will look to increasingly partner with local and state governments to boost investment and growth in these important regions.

BUSINESS

Working closely with communities, governments and industry to get the most out of nbn will become increasingly important as we move beyond the build, particularly for sectors like business, health, tourism, agriculture and education.

It's vital we focus on delivering the best service possible to customers, and that we do it together because broadband is playing a key role in making the world smaller, markets larger - it's leading to faster adoption of global business models and technology.

We are seeing some of the benefits of this playing out in the business market where we are helping small, medium and large companies to connect - some of whom have never before been exposed to choice or the benefits of fast broadband.

As Phillip mentioned, our accelerated push into the business market has continued with strong gains in quarter one.

This is important not just for nbn, as it helps us reinvest more into the network, but it's important for Australian businesses because it is exposing them to more sources of broadband competition.

There have been some recent criticisms that we are somehow overstepping our mandate to service this important sector.

But providing competitive broadband offerings to help meet the needs of business has always been part of nbn's mandate and by 2022 we anticipate annual revenue from

business of all sizes - from micro-businesses right through to the very largest enterprises – to be more than \$1 billion.

This is important for nbn, but also for the Australian economy. Our recent research into small business, for example, showed that the more small business invested into technology, especially internet services, the higher was their revenue and employment growth.

It is important therefore that, as an industry, we service this market well, through the experience they receive, and through ensuring they use the appropriate broadband products for their business needs.

And for larger enterprises, nbn has helped open up the market for all players – both existing and new, small and large - so better service and competition can thrive.

This is clearly evidenced by the ease with which businesses on nbn can switch retailers without incurring high transition costs and complexity. This goes to the very core of why nbn was created in the first place – to bring choice and to make it easier to get access to fast broadband.

This is not only important for enterprise customers and nbn's future strategic goals, but it will also be an important contributor to the nation's economic prosperity.

Providing Australian businesses with access to high-speed broadband and connectivity supports the creation of new jobs, it helps grow new businesses and contributes to growing our GDP.

Our work on business customers, of course, has never been at the expense of building infrastructure to residential premises, as evidenced by the on-target build completion, but it is important for nbn and for greater national economic prosperity.

PRICING

These gains to the economy are increased as every additional home and every additional business connects to nbn.

Importantly, each one of these additions increases the number of Australians receiving the social and economic benefits that fast broadband can unlock for people's health, connectivity, and livelihoods.

You've heard this from me before, but it's worth repeating: we want people to use the network and fundamentally believe in its power to connect Australians and improve social and economic prosperity of the nation.

That's why, as part of our ongoing pricing consultations with the industry, we remain dedicated to ensuring all Australians can access this great asset.

We do however recognise that even when nbn rolls through a town or suburb there remains a small percentage who, for varying reasons, decide not to take up a service.

We've done some research into this issue and have come up with some interesting findings that show there are three distinct, unconnected groups.

The first are those who have no internet at home – for a variety of their own reasons.

The second group are those who have chosen mobile-only.

Finally, the third group are those who have non-nbn broadband at home.

Across all three of these unconnected groups there were some common threads: firstly affordability concerns, and secondly those for whom we need to work a bit harder to provide either more compelling or flexible options to encourage their connection – and this primarily involves certain cohorts of seniors, people living alone and renters.

These are very interesting insights, not just for nbn, but the broader telecoms market as it shows there exists a real gap in the market that needs to be addressed when it comes to accessing broadband for all.

With this in mind we are developing a range of programs and targeted incentives to help get these groups get connected.

We will be announcing a proposal and releasing consultation papers to our RSP partners and industry groups in the coming weeks as a starting point to address the needs of some of the unconnected – because we believe the best results will only be delivered through a whole-of-industry approach. We can't do it alone.

We have also continued to work with our retail partners through our wholesale pricing consultation to ensure we provide the products they need to best serve customers.

As a direct result of these consultation we fast-tracked the introduction of the Entry Level Bundle, which went live on 1 October to ensure broadband remains affordable for price-sensitive customers.

In the first three or four weeks after launch alone we doubled the RSP subscription rate to the modified 12/1 Entry Level Bundle with strong and consistent migration away from the basic 12/1 wholesale pricing.

Furthermore, in December, we will be launching a new 25/5 bundle.

Regarding other speed tiers, we will soon close out our wholesale pricing consultation, following feedback from the industry, and introduce new discounts and additional data inclusions, in conjunction with our retail partners, as we continue to enhance our high-speed broadband offering to customers.

CX, WBA4 and regulation

Pricing, of course, is just one element of building a successful industry and a sustainable nbn.

To me, the most important thing that I believe will define the success of this industry over the next decade will be creating great customer experiences.

It is simply something that the telco industry together needs to relentlessly work on.

As an entity born from past market failures, we of course understand that regulators have an interest in overseeing service standards and the broader sector.

But as an industry we have an obligation to collaborate on behalf of the customer and work towards the delivery of sustainable, commercially negotiated outcomes.

We know that nbn has a major role in shaping customer experience and we are not shying away from this.

We have, in fact, made significant investments in recent years in this area to improve the overall experience of our customers, and we continue to recognise there is always more to do to meet customer needs and enhance overall satisfaction.

Indeed, as we transition beyond the build, our whole company focus is to be customer-led, with Australian residents and businesses genuinely central to decision making.

Many businesses say that, but we mean what we say – it's essential if we are to deliver the policy intent of nbn.

But we can't do it by ourselves as the best outcomes for customers will be the ones that we forge together.

It's with this in mind that we have designed our new Wholesale Broadband Agreement, to put the customer at the forefront of all our thinking.

The intent of our wholesale broadband agreement is to achieve a level of balance between us and our retail partners, not just so we clearly understand each others' roles and responsibilities, but so we can work together to make sure all Australian get the most out of their broadband connections.

A significant portion of our industry consultation paper is dedicated to the creation of clear, commercially negotiated lines of agreement between nbn and RSPs on how we approach a range of issues, such as in-home wiring remediation and setting minimum performance standards for the selection of modems.

We are already well advanced in our planning to address some of the more common issues that customers come up against.

For example, we have been working closely with the industry to get visibility of in-home Wi-Fi and poor internal wiring issues – which we know can be the difference between a great broadband experience and a bad one for a customer.

I can't stress enough how much of a pain point this is for customers. Yet many don't know realise just how important their home setup is to the service they experience.

The disturbing thing about this problem is that there is a fix – it's just not being implemented or communicated well enough.

We've introduced programs to tackle this issue head-on and have launched a subsidised program to provide customers with solutions for internal wiring problems that limit broadband performance.

This is a great initiative for homes in the FTTN footprint that are known to be impacted by poor internal wiring.

And, we are also planning initiatives to educate the community more broadly on how to set up the home to maximise broadband experience.

OUTLOOK

Improving customer experience and satisfaction remains at the heart of management decision making and we will continue to work with the industry closely to solve the pain points that are stopping people from having a good broadband experience.

As we close the first quarter of fiscal 20, I'm pleased that our momentum continues as we maintain strong connection rates for new residential and business premises each week.

It's been a great start to fiscal 20 as we zero in on completion of the build, but we know we still have much work to get over the line, to connect the unconnected, and improve customer experience.

But by working together with industry, we know we can get there and lift Australia's digital capability in the process.

So thank you. We will now take questions.

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