



# Media release

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## NBN Co delivers solid half year results, on track to achieve full year guidance

### Performance summary for the six months to 31 December 2022:

- Key performance metrics on track to meet Corporate Plan 2023 guidance
- Total revenue of \$2.6 billion for the six months to 31 December 2022, up 4 per cent on H1 FY22
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)<sup>1</sup> of \$1.8 billion, up 20 per cent on H1 FY22
- Residential Average Revenue Per User (ARPU) of \$47 per month, up 1 per cent on H1 FY22
- Raised a further \$2.6 billion from bank facilities and debt capital markets during H1 FY23. Repaid a further \$875 million of the Commonwealth loan, reducing the outstanding balance to \$5.5 billion (original Commonwealth loan was \$19.5 billion)
- More than 8.5 million premises connected to the network, with 77 per cent of customers connected to plans based on speed tiers offering wholesale download speeds of 50 Mbps and above<sup>2</sup> and 21 per cent of customers connected to plans based on speed tiers offering wholesale download speeds of 100 Mbps<sup>3,4</sup> and above
- Network investment plan on track to offer **nbn**<sup>®</sup> Home Ultrafast services with wholesale download speeds of 500 Mbps to close to 1 Gbps<sup>5,6</sup> to up to 10 million premises or around 90 per cent of the fixed line network by the end of 2025.

NBN Co today reported total revenue of \$2.6 billion for the six months to 31 December 2022, a 4 per cent increase on H1 FY22.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)<sup>1</sup> was \$1.8 billion in the first half of the year, reflecting a \$306 million improvement on the corresponding period last year, following strong revenue growth, efficient cost management and the effective cessation of subscriber cost expenditure.

The strong financial result for the first half-year was underpinned by increasing demand for higher speed broadband plans.

NBN Co closed the half-year with more than 8.5 million premises connected to the network. At 31 December 2022, 77 per cent of customers were connected to plans based on speed tiers offering wholesale download speeds of 50 Mbps and above<sup>2</sup> and 21 per cent of customers were connected to plans based on speed tiers offering wholesale download speeds of 100 Mbps<sup>3,4</sup> and above, compared to 15 per cent at 31 December 2021.

Residential Average Revenue Per User (ARPU) increased to \$47 in the six months to 31 December 2022, up 1 per cent from H1 FY22. The uplift in Residential ARPU was driven by more customers selecting or upgrading to higher speed tier plans.

Revenue from Business customers increased to \$549 million in the first half of FY23, up 11 per cent from \$493 million in the first half of FY22.

Capital expenditure in the first half was \$1.4 billion, up 22 per cent compared to the first half of FY22. The increase compared to the prior corresponding period was due to the ongoing investment in fixed line and transit upgrade programs as the company accelerated its full fibre upgrade program; the design and construction of new network infrastructure for residential and business premises; increased software and systems development in support of operational simplicity and both fixed wireless and satellite speed and capacity upgrades. NBN Co also continues to invest to connect customers and assure services on the **nbn**<sup>®</sup> network.

The company raised a further \$2.6 billion from bank facilities and debt capital markets during H1 FY23 and repaid a further \$875 million of the Commonwealth loan, reducing the outstanding balance to \$5.5 billion. At 31 December 2022, the company's private borrowings totalled \$19.9 billion. NBN Co remains focused on refinancing the Commonwealth loan by June 2024, funding network investments and maintaining a strong liquidity position.

NBN Co has hedged a significant proportion of its floating debt, which has helped shield the company from the increase in market interest rates. However, as a result on the quantitative tightening of monetary markets, the company's weighted average cost of drawn debt increased from 2.55 per cent at 30 June 2022 to 2.93 per cent at 31 December 2022.

### **NBN Co Chief Executive Officer, Stephen Rue, said:**

"We are pleased to report that we are on track with all key financial and operational performance metrics at the half-year to meet our full year guidance.

"Our network upgrades are also progressing well as we prepare Australia's digital backbone for the increasing demand for speed and capacity in years to come.

"We are seeing positive and encouraging signs of increased demand for our higher speed tiers with 21 per cent of customers choosing plans based on speed tiers offering wholesale download speeds 100 Mbps<sup>3,4</sup> and above, up from 15 per cent at 31 December 2021.

"We have so far completed essential upgrade works to make around 1.4 million additional premises eligible to upgrade to full fibre connections by 31 December 2022. In doing so, we achieved a remarkable milestone with more than 50 per cent of premises across Australia able to access our **nbn**<sup>®</sup> Home Ultrafast speed tier, which is capable of achieving peak wholesale download speeds of 500 Mbps to close to 1 Gbps.<sup>5,6</sup>

"We are also delighted about our progress in upgrading our fixed wireless network, which will see enhanced speeds that will be game-changing for fixed wireless customers who are primarily located in regional and rural Australia."

## nbn® network update

### Fixed line network upgrades

During the first half of FY23, NBN Co welcomed the Government's announcement to invest \$2.4 billion to enable an additional 1.5 million homes and businesses currently served by Fibre to the Node (FTTN) to upgrade to Fibre to the Premises (FTTP). It follows the company's original program to enable full fibre upgrades to an initial 2 million premises served by FTTN<sup>7</sup>.

Design and construction of the local fibre network rollout has so far been completed within many suburbs and towns across Australia, making around 550,000 premises served by FTTN eligible to upgrade to FTTP by 31 December 2022.

The company is also progressing well with its plan to enable up to 1.5 million homes and businesses currently served by Fibre to the Curb (FTTC) to upgrade to Fibre to the Premises (FTTP). By 31 December 2022, approximately 810,000 premises served by FTTC became eligible to upgrade to FTTP.

To date, approximately 2.2 million premises, predominantly in greenfield residential development communities, have been designed, constructed and delivered as FTTP connections.

During the second half of FY22, the company completed upgrades to enable 100 per cent of the 2.5 million premises served by HFC to access the **nbn**® Home Ultrafast wholesale speed tier.

NBN Co is on track to enable up to 10 million premises or around 90 per cent of premises on the fixed line network to access the **nbn**® Home Ultrafast wholesale speed tier, which is capable of achieving peak wholesale download speeds of 500 Mbps to close to 1 Gbps<sup>5,6</sup>, by the end of 2025.

### Fixed wireless network upgrades

The company is also on track to deliver upon the \$750 million commitment to upgrade the **nbn**® Fixed Wireless network using 4G technology and software enhancements and the latest 5G mmWave technology. NBN Co will be among the first in the world to deploy 5G mmWave technology at this scale for a dedicated fixed wireless network.

One of the major benefits of the upgrades is the expanding the capacity of the network that will enable existing fixed wireless users to achieve faster and more consistent speeds with less congestion.

The extended range, capacity and speed of the network will help NBN Co implement a new measure to indicate the network's capability to achieve a 'typical wholesale busy period download speeds'<sup>8</sup> of at least 50 Mbps.

In October 2022, the company enabled more than 1,000 homes and businesses in the satellite footprint that have not connected to the **nbn**® network to become eligible for **nbn**® Fixed Wireless access. These homes and businesses are now eligible to order an **nbn**® Fixed Wireless service via a participating phone and internet provider.

The enhancements are being delivered across more than 2,300 fixed wireless infrastructure sites and will also enable approximately 120,000 former satellite-only eligible premises to access **nbn**® Fixed Wireless services by the end of 2024.

### Special Access Undertaking (SAU)

In November 2022, NBN Co lodged a proposed SAU variation with the ACCC with the aim of delivering a new SAU in time to implement changes by 1 July 2023.

The company will continue to work constructively with the ACCC, retail providers and consumer advocacy groups towards the successful acceptance of the proposed variation.

## ENDS

## Notes to editors

1 EBITDA includes Earnings Before Interest, Tax, Other non-operating income, Depreciation and Amortisation

2 The 50 Mbps (download) wholesale speed plan includes wholesale plans available to phone and internet providers with download speeds of 50 Mbps and 25-50 Mbps. The **nbn** wholesale speed tiers available to your phone and internet provider vary depending on the **nbn** network technology in your area. Your experience, including the speeds actually achieved over the **nbn** network, depends on the **nbn** network technology and configuration over which services are delivered to your premises, whether you are using the internet during the busy period, and some factors outside our control (like your equipment quality, software, broadband plans, signal reception and how your service provider designs its network). Speeds may be impacted by network congestion on the **nbn** Fixed Wireless network, including during busy periods. Satellite users may experience latency.

3 Customer experience, including the speeds actually achieved over the **nbn** broadband access network, depends on the **nbn** access network technology and configuration over which services are delivered to the premises, whether the customer is using the internet during the busy period, and some factors outside of NBN Co's control (like equipment quality, software, chosen broadband plan, signal reception, or how the provider designs its network).

4 NBN Co provides wholesale services to phone and internet providers. **nbn** wholesale speed tiers available to providers vary depending on the access technology in an end users's area.

5 Regardless of the retail service you purchase, the actual maximum wholesale speeds delivered to Retail Service Providers (RSPs) will be less than 1 Gbps due to **nbn** equipment and network limitations. In addition, HFC Home Ultrafast speeds will fall anywhere in the range of 500 Mbps to close to 1 Gbps and operate with a maximum sustained information rate of 750 Mbps. An end customer's experience, including the speeds actually achieved, depends on some factors outside our control (like customer equipment quality, software, and how your retail service provider designs its network) and the **nbn** technology used for your connection.

6 An end customer's experience, including the speeds actually achieved over the **nbn** network, depends on the **nbn** access network technology and configuration over which services are delivered to their premises, whether they are using the internet during the busy period, and some factors outside of NBN Co's control (like their equipment quality, software, chosen broadband plan, signal reception, or how their provider designs its network). Conditions, eligibility criteria and costs will apply. Eligibility criteria is expected to include, among other things, being designated by **nbn** as a simple premises (e.g. standalone premises or Single Dwelling Unit (SDU)) and once the program is available for an eligible premises, placing an order for an **nbn** powered plan based on an eligible wholesale speed tier. Additional costs may apply to retail service providers, who may choose to pass this charge onto their customers.

7 NBN Co reserves the right to amend the list of targeted suburbs and towns for the local fibre network build at its discretion.

8 This measure will be an estimate based on a sample of **nbn** Fixed Wireless wholesale services and will measure the average speed at certain points in each hour of the busy period between 7-11pm to identify a 'typical busy period speed', in line with the methodology outlined in the ACCC's Broadband Speed Claims Industry Guidance Paper (October 2020). For each sample measured it will take into account factors outside of **nbn**'s control such as environmental impact on radio signal strength, but will not take into account retail level, in-premises or user factors that could impact the end user service. Actual end user speeds will differ as a number of factors influence this, including the particular end user applications in use at the time, end user equipment and software, and the number of concurrent users on the **nbn** Fixed Wireless service. This means that this measure is not the same as, but is likely to be similar to, the connection's capability (if retail level and end user influences are minimal). Currently **nbn** publicly reports on a network design metric that influences its cell upgrade program (which prioritises cells for upgrades to ensure a minimum 30-day average busy hour wholesale download speed of 6 Mbps on at least 99% of cells), but which is not referable to end user experience.

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