

NBN Co FY23 Financial Results

Stephen Rue – Chief Executive Officer

Part One

Good morning and welcome to **nbn**'s results announcement for the 12 months ended 30 June 2023.

I'd like to start by acknowledging the Traditional Custodians of the various lands on which we work today and any First Nations' People participating in this call.

We pay our respects to their Elders past, present and emerging, and recognise and celebrate the diversity of First Nations People and their ongoing cultures and connections to the lands, skies, and waters across Australia.

We have distributed our media release and presentation slides for today's call – but if you have not received them, please visit the Media Centre on our website where they are now available.

Joining me today is our Chief Financial Officer, Philip Knox and our Chief Customer Officer, Anna Perrin.

I will make some introductory remarks and touch on the highlights and achievements of the year, before Philip takes you through the numbers in more detail. We will then go to question and answer.

Financial Highlights

Fiscal 23 was a huge year for **nbn**.

We welcomed new Shareholder Ministers and a new Statement of Expectations.

This sets out a future-focused strategic framework for our company that we are delivering on.

(Slide depicting progress, performance & growth)

Fiscal 23 was a solid year of performance for **nbn** as you can see here from our highlights.

Total revenue for fiscal 23 came in at \$5.3 billion, which was a three per cent increase year on year.

Our Residential Average Revenue Per User - or ARPU – was consistent with the half-year result at \$47. Our Business Revenue in fiscal 23 was \$1.1 billion, which is an 8 per cent increase on fiscal 22.

As at 30 June 2023, we had more than 8.5 million homes and businesses connected to the **nbn** network, which represents a net increase of approximately 43,000 premises over the past 12 months.

Throughout fiscal 23, we continued to extend fibre to new homes and businesses in new residential communities and business precincts across the country.

New developments are a prime focus for **nbn** and we work closely with developers in delivering new fibre.

During the year, we made an additional 200,000 residential and business premises Ready to Connect, taking the total number of Ready to Connect premises to 12.3 million at 30 June 2023.

Challenges

Throughout fiscal 23, we continued to deliver on our purpose to lift the digital capability of Australia.

And no more so than delivering on our commitment to continually upgrade our network for customers.

With every kilometre of new fibre we put into the network, every kilometre of copper we retire, and every fixed wireless site we upgrade to the latest 5G millimetre wave technology – we are not only improving our capability to deliver faster speeds and capacity for customers – we are also underscoring and improving our value proposition to the industry.

In the years ahead, you will see the many benefits of the investments we are making today flow through to our product mix, revenues, EBITDA and cashflow – all of which underpins our ability to constantly reinvest.

More fibre sets the company up well for the future as faster, reliable and secure broadband will underpin many of the digital applications being developed now that will change the way we live and work.

We are currently in what is known as the Fourth Industrial Revolution, and this is fundamentally changing the way humans interact.

We've seen changes in how we conduct our lives; the way our healthcare and education is delivered; the way we entertain; and the way society and the economy works.

As each historical revolution has occurred, the pace of change has been faster than the previous one.

This revolution is way faster than anything we have seen before, with huge implications for humankind. And the ongoing development of AI and large language models will accelerate this change even further.

Reliable internet speeds, with capacity to deliver large volumes of data is the key to delivering the experience consumers and businesses need. And this means more fibre. Exactly what we are now investing in.

Throughout fiscal 23, we have remained committed to continually improving performance and provide a great experience to consumers.

Our operational metrics have never been stronger. We exceeded our targets for installation and repair right first-time, having technicians arriving at premises within the agreed window - and our targets for reducing network faults.

Our national average network availability was 99.97¹per cent - also ahead of target.

These key metrics are delivering improved customer experience, with customers connected faster and experiencing far fewer outages due to faults.

¹ Network availability is the percentage of time the **nbn**[®] access network is available and operating. For this measure, the network is considered 'unavailable' during the time NBN Co is restoring services following the raising of a fault. It doesn't include periods where the network is unavailable due to operational outages for network upgrades and improvements or events beyond NBN Co's control.

And this has led to Telecommunications Industry Ombudsman complaints being at their lowest ever levels.

We will continue to work with retailers to deliver a positive customer experience and enable customers to enjoy great broadband services.

Investing in the network to support future growth

(Slide depicting Fixed Line network)

We continue to plan and invest in the network to be ready to meet current and future customer demand for high speed services and increased volume of data.

Our largest fibre upgrade program is the Fibre-to-the-Node (FTTN) to Fibre-to-the-Premises (FTTP) network upgrade program, which will enable up to 3.5 million premises to access our fastest on demand wholesale download speed tier of close to 1 Gbps² by the end of 2025.

² Regardless of the retail service you purchase, the actual wholesale speeds delivered by NBN Co's highest residential wholesale speed tiers of 500 to close to 1000 Mbps will be less than 1Gbps due to equipment and network limitations and the peak information rate may fall anywhere in this range. In addition, the HFC Home Ultrafast bandwidth profile downstream service provided to retail providers is a ranged profile with a maximum sustained information rate of 750Mbps. Reference to speeds are not end user speeds; they are wholesale layer 2 peak information rate bandwidth provided to retail providers. 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).

And this includes the Government's announcement to contribute \$2.4 billion equity towards the roll-out of fibre to an additional 1.5 million FTTN premises.

At the end of June 2023, our FTTN and Fibre-to-the-Curb (FTTC) upgrades have so far enabled more than two million premises to become eligible for full fibre upgrades.

Through our Fibre Connect program, we are currently upgrading approximately 3,000 additional premises to FTTP technology per week.

And we expect this number to grow in coming months as more footprint becomes available and retailers complete their processes, enabling them to ramp up volume of upgrades.

We remain committed to increasing the availability of higher speeds for all premises across the nation and offering direct fibre infrastructure for Australian businesses.

In December 2022, we made a leap forward, readying our network for multi-gigabit speeds, after selecting Nokia's next-generation broadband technology to deploy on our FTTP network.

In just five months, we've incorporated this new network software into our FTTP network, allowing us to start introducing XGS-PON technology, which will provide multi-gigabit residential and business services.

By accelerating this development, we aim to start using this new technology in the fibre upgrade program, supporting the \$2.4 billion build to be completed by December 2025.

This push towards multi-gigabit residential speeds reflects what is happening in North America and Europe, where the industry is rapidly moving towards XGS-PON, in place of GPON – delivering increased speed, capacity and scalability.

HFC

(Slide on HFC network)

Our other fibre technology - the Hybrid Fibre Coaxial, or HFC network - currently passes 2.5 million premises - and is already capable of delivering our highest speed tier³. It currently serves approximately 2 million customers that have so far connected to HFC.

HFC is a significant network technology and we know it has a lifespan well beyond this decade. It is the dominant access technology in North America, and is likely to remain so for years to come.

The three major U.S. cable companies operating HFC represent over 130 million houses passed in the U.S. There remains strong industry support for cable operators to evolve and expand the capability of HFC.

Our HFC product is powered through cable technology known as DOCSIS 3.1, in both downstream and upstream.

However, like many overseas cable operators, we are beginning to take the next step in HFC evolution.[®]

³ The HFC Home Ultrafast bandwidth profile downstream service provided to retail providers is a ranged profile with a maximum sustained information rate of 750Mbps. 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).

To address expected customer traffic growth, we intend to introduce Distributed Access Architecture or DAA to HFC.

And DAA technology brings optical fibre deeper into the HFC network, resulting in five times the capacity, and that helps improve speed and performance.

We will be looking to embrace DAA in coming years to make it future-ready into the next decade, with the option of upgrading DOCSIS 3.1 to DOCSIS 4.0 in the future.

Network investments – regional Australia

(Slide depicting regional Australia)

And that's just the Fixed Line network.

In partnership with the Federal Government, we are making a \$750 million investment to upgrade our Fixed Wireless and Satellite networks.

Our Fixed Wireless infrastructure sites will have their footprint coverage expanded by up to 50 per cent, enabling approximately 120,000 former satellite-only premises to access **nbn** Fixed Wireless services.

The Fixed Wireless upgrade is on track, with our interim target for this upgrade exceeded at 30 June 2023.

A wholesale peak information rate of 100-130 Mbps downlink will be available to 100 per cent of our Fixed Wireless coverage area by the end of 2024.

And for approximately 85 per cent of our expanded Fixed Wireless footprint, from the end of 2024, they will also be able to order services with wholesale peak download speeds of between 200 and 325 Mbps - which is up to three times faster than currently available on **nbn** Fixed Wireless services⁴.

⁴ Your experience, including the speeds actually achieved over the **nbn**® network, depends on the configuration over which services are delivered to your premises, whether you are using the internet during the busy period, and some factors outside of NBN Co's control (like your equipment quality, software, chosen broadband plan or how your provider designs its network). Speeds may also be impacted by the number of concurrent users on the **nbn**® Fixed Wireless network, including during busy periods.

The Fixed Wireless upgrade has enabled us to offer improved Sky Muster services, such as the launch of the new Sky Muster Plus Premium product in June 2023.

This new plan offers uncapped data usage, and for the first time, the 25/5 Mbps wholesale plan can offer burst download speeds of up to 100 Mbps.

This is the latest step in the evolution of our satellite network - which covers remember, less than 4 per cent of premises - as we continue to push the boundaries of our satellite services in response to the needs of regional and remote customers.

The introduction of Low Earth Orbit, or LEO technology is a genuinely exciting development for **nbn** and for rural and regional Australia.

In fact, a few weeks ago, we released a Request for Information to LEO satellite providers to further understand their offerings.

We want to understand directly from LEO operators what might be possible considering the scale of our existing satellite footprint and user base and whether LEOs could be used so our unique obligations can be met in order to supply services, including price certainty, network and data sovereignty and options for local support.

I'm often asked whether LEOs are an existential threat to our business. Well the answer is no.

They currently connect around 1 per cent of premises across Australia, and largely in regional and rural areas.

And they are not built – like our Fixed Line and Fixed Wireless networks – to carry large volumes of data, for multiple users at the same time.

But they do provide an opportunity to meet the needs of some regional and rural consumers, and as such, they are a very welcome development, particularly as we look ahead several years, and beyond our current satellite assets.

(Slide depicting First Nations and digital inclusion)

In fiscal 23, we continued to support digital inclusion, particularly for remote and regional areas.

In our fifth and latest Reconciliation Action Plan, which was launched in May 2023, we've prioritised increased connectivity, deeper relationships, and partnerships with First Nations communities.

To date, we have deployed 109 Community Wi-Fi points across First Nations communities around Australia, enabling access to essential services such as telehealth, MyGov, online education and mentoring services.

While the majority of these connections are single-point Wi-Fi systems, we've also deployed several mesh Wi-Fi systems, enabling public Wi-Fi coverage to extend throughout the community.

These services are free for use for community members and have no download limits.

These actions are part of our continued contribution towards Target 17 of the National Agreement on Closing the Gap, which is centred on providing equitable access and improved digital inclusion for First Nations' people.

Our solid financial position at the close of fiscal 23 is a great springboard for delivering our network investment plan to support the nation's growing digital needs.

I will now hand over to Philip who will share more detail on our financial and capital management plans.

Thank you, Philip.

CFO speech

Philip Knox to discuss the Company's financial performance and progress.

Part Two – Stephen Rue, Chief Executive Officer

So, thank you, Philip.

As you've heard, fiscal 23 was a solid year for **nbn**. We delivered our financial and operational results in line with guidance.

Now, before I expand a little on our business strategy going forward, I'd like to address the Special Access Undertaking.

(Slide depicting SAU Variation)

Working with Industry

The Special Access Undertaking, or SAU, is a voluntary agreement between **nbn** and the Australian Competition and Consumer Commission (ACCC)

This forms a key part of the regulatory framework that governs the prices, service standards and terms under which we can offer wholesale broadband services to retailers.

Our proposed SAU Variation is designed to update the regulatory framework so it covers all of our technologies that meet the needs of retailers and consumers.

On the basis it is accepted by the ACCC, the SAU Variation will set out the agreement between **nbn** and the ACCC on **nbn**'s pricing and other non-price conditions, and therefore aim to provide certainty for the industry.

We will lodge within days an amended SAU Variation with the ACCC that we believe is capable of acceptance.

And subject to acceptance, the many provisions of the SAU Variation will be codified into a new Wholesale Broadband Agreement, which is the commercial contract between **nbn** and the retailers.

This will provide certainty not only for **nbn**, but for the entire industry, and enable us to deliver our long-term network investment, IT simplification and customer service improvement plans.

Industry insights

(Slide on average data download growth)

Now I'd like to return to the nation's rapidly accelerating digital demands. I talked earlier about the imminent growth in new digital applications.

But, there has already been significant evolution in how Australian households and businesses use broadband services over the past 10 years.

According to the ACCC, and a recent digital consumer survey⁵, the average household consumes on average 452 gigabytes of data per month to power 22 household devices.

This compares to just 30 gigabytes of data per month for five household devices a decade ago.

⁵ Average household devices connected (2022): Matter to drive smart home boom despite economic headwinds — Telsyte (article referencing their Telsyte Australian IOT @ Home Market Study 2022). Average data consumption per month (2022): Internet Activity Report - December 2022.pdf (acc.gov.au) (pg 5)

In just six years, data volumes have tripled across Australia. And we know the growing need for broadband will reach even higher levels over the next decade as the internet continues to transform how we live and work.

By 2026, it is predicted that nearly three quarters of households will be using some form of 'smart home' connected device such as household appliances, security cameras and lighting systems.

The recent emergence of immersive-reality technologies and generative AI is already starting to revolutionise how consumers and businesses interact with digital content and services.

For example, healthcare companies such as XRHealth, here in Australia, enable patients to access medical and therapeutic treatment in the comfort of their homes through virtual reality, where they can experience a more interactive and engaging treatment than traditional therapy.

Companies are increasingly investing in VR-based training to teach their people located in rural locations.

Computer-generated elements that provide additional information will increasingly be integrated visually into the user's space, enhancing what they experience in the physical world through AR headsets and AR glasses.

These types of augmented reality and machine learning technologies will increasingly be integrated into simulated online learning and training - and I have no doubt they will ultimately become more integrated into everyday life.

Technology is at its most pervasive and powerful when it starts to disappear – when it cleverly meets a need, finds a niche and just works.

As the consumer and business applications enabled by these technologies continue to develop, the demand for high-speed, low-latency, reliable and secure broadband networks will become increasingly essential in delivering seamless real-time connectivity.

Outlook for FY24 and beyond

So let me briefly look at the years ahead, and for **nbn**, the job to be done.

As I said earlier, we will continue to roll out fibre, enhancing HFC and FTTP capability along the way.

(Slide depicting residential and business broadband demand)

We will work with retailers to move customers to the higher speeds they need, enabling better customer experience and more participation in the digital economy.

We will continue to work with developers, competing in the market for new estates and new buildings. These new developments will be served by fibre, so we will expand our fibre reach along the way as a result.

We will continue to enhance the capability of our transit network which consists of over 76,000 kilometres of fibre. This is the huge super-highway that connects more than 1,500 of our network sites.

This fibre technology is crucial because the transit network carries 83 per cent of Australia's data.

Here we are evolving this network with the next generation of technology, building greater capacity along the way.

(Slide depicting sustainability)

A further strand in our strategy is to play our part in supporting Australia's transition to a net-zero economy by 2050.

By replacing copper connections in the network with more energy-efficient fibre, we aim to enable long-term reductions in network power demand, leading to both reduced emissions for **nbn** and avoided emissions for our customers.

In July 2023, we took a step closer to delivering on our commitment to purchase 100 per cent renewable electricity when a new solar farm we are supporting through our first renewable Power Purchase Agreement began operating in the Riverina area of New South Wales.

Two further renewable PPAs have also been executed during the year in Victoria and Queensland.

During fiscal 23, our total energy use reduced over fiscal 22 and we also received validation of our near-term science-based emissions reduction targets⁶.

Finally, we are totally committed to further improve the experience customers receive over the **nbn** from retailers and reduce costs for **nbn** and the industry as a result.

(Slide showing how we are supporting growing digital applications)

We are unlocking network potential through simplification of our processes, and this allows us to roll-out new products and features with faster time to market and reduced network costs.

We're reducing the complexity of our IT systems, providing greater levels of efficiency by removing duplication, streamlining processes and systems and adding automated business processes.

This provides easier processes for our retail partners to work with us and reduces their costs.

⁶ <https://sciencebasedtargets.org/companies-taking-action>

By making it easier for retailers to integrate their processes and systems, we are helping them reduce their overheads and enabling better experience for their customers.

New capabilities have been developed for field technicians and for the mobility tools they use to improve the experience for consumers and retailers. This is being further enhanced by an increase in our field workforce, particularly in regional Australia.

And, of course, more fibre connections lead to lower faults, more reliability, greater customer experience, higher speeds and lower operational costs for **nbn** and retailers.

All this, of course, is good for our business as we judiciously invest, reduce our costs and build residential ARPU and business revenue.

But it is also good for Australia. Fast broadband delivers productivity benefits for the nation and assists in social equity. This is central to everything we do.

As we support the nation's growing digital demands, we will remain true to our purpose of lifting the digital capability of Australia to ensure the positive social and economic benefits made possible by fast broadband are accessible to everyone.

Thank you, we will now take questions.

ENDS