

NBN Co H1 FY24 Financial Results

Stephen Rue – Chief Executive Officer

Part One

Good morning everyone and welcome to **nbn**'s financial results announcement for the six months to 31 December 2023.

I begin today by acknowledging the Traditional Custodians of the land on which we meet today, and pay my respects to their Elders past, present and emerging. I extend that respect to Aboriginal and Torres Strait Islander peoples here today.

I trust you all have the media release and presentation slides for today's event, which have been distributed and are available on the **nbn** media centre.

Joining me today is Philip Knox, our Chief Financial Officer, whom you will hear from in a moment, and Anna Perrin, our Chief Customer Officer, who will be available to contribute to the Q&A session at the end.

Philip will speak to the Company's financial performance, and I will speak to the Company's operational performance.

Progress, performance & revenue growth

I'm very pleased to report on our momentum in delivering more fibre to more people across Australia.

Important milestones have been reached as we upgrade the network - and these appear in our 2024 Half Year Report, which is now available on our website.

The following slide sets out some of our key metrics and achievements.

Households and businesses across Australia can access the **nbn** network, and at the end of the half, approximately 12.4 million premises were ready to connect.

Customers in almost 8.6 million premises have so far connected to the network, which importantly equates to over 20 million people relying on our network every day.

And that customer base is growing.

Network upgrades

nbn completed the initial network rollout in 2020, meeting our promise to the Government and the people of Australia. But as I said at the time – and believe to this day – our best years are ahead of us.

The build was a sprint to get to the start of a marathon. Our full fibre upgrade program is on track, which is enabling greater access to our highest speed tiers.

At the end of the half, more than 8.4 million premises – or 75 per cent of the Fixed Line network - were eligible to access our highest speed tier, **nbn** Home Ultrafast, which offers peak wholesale download speeds of 500 Mbps to close to 1 Gbps¹.

We set this target at the end of 2020. I'm pleased to say that we have again delivered on time. This includes making 2 million premises served by Fibre-to-the-Node eligible² to upgrade from copper to full fibre by 31 December 2023.

*1 Regardless of the retail service an end customer purchases, the actual wholesale speeds delivered by **nbn**® highest 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 750 Mbps. References to speeds are not end customer speeds; they are wholesale layer 2 peak information rate bandwidth provided to retail providers. 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' area.*

2 Conditions, eligibility criteria and costs will apply – please speak with your preferred provider. Eligibility criteria includes among other things, being designated by nbn as a simple premises and placing an order for an nbn powered plan based on an eligible wholesale speed tier. Additional costs may apply to providers, who may choose to pass this charge onto their customers.

The Government subsequently committed a further \$2.4 billion in equity to upgrade an additional 1.5 million premises to full fibre by the end of 2025. We are also on track to deliver upon that commitment.

We are building it - and they are coming. So far, customers in more than 200,000 premises have chosen to upgrade to full fibre high-speed plans.

Retailers are also extremely supportive. All major retailers are now in market, actively promoting and selling full fibre upgrades and our highest speed tier plans.

At the beginning of the half, we were taking around 3,000 upgrade orders per week. It's now 7,000 orders per week. And momentum is growing.

We have achieved critical mass on our full fibre footprint in all states and territories; we now have the full marketing and sales power of all major retailers in market, and we are delivering a quality product that customers want and demand.

We completed 108,000 full fibre upgrades in the six months to 31 December 2023. And this will continue to grow in the second half.

We are on track to enable over 10 million premises – or up to 90 per cent of the Fixed Line network – to access close to Gigabit¹ speeds by the end of 2025.

And we are also half-way through a major upgrade of our Fixed Wireless network.

This has enabled us to announce a proposal to increase the potential maximum information rate for the existing **nbn** Fixed Wireless Plus wholesale plan from up to 75/10 Mbps to up to 100/20 Mbps^{2,3}.

Subject to industry consultation, we plan to implement this change by mid-2024 and apply it to all Fixed Wireless Plus services across the network.

We are also proposing to launch two additional fixed wireless high-speed tiers.

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*2 Proposed speed tiers are subject to industry consultation. These are **nbn**® wholesale speed tiers, which **nbn** provides to retail phone and internet providers. Attainable wholesale speeds are subject to the rollout of network upgrades and some premises will require **nbn** to complete upgrades to the equipment at the premises.*

*3 An end customer's experience, including the speeds actually achieved over the **nbn** network, depends on the **nbn** 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 NBN Co's control (like their equipment quality, software, chosen broadband plans, signal reception or how their provider designs its network). Speeds may be impacted by the number of concurrent users on **nbn**® Fixed Wireless network, including during busy periods.*

Fixed Wireless Home Fast is planned to increase from a potential peak speed of 130/20Mbps to 250/20Mbps^{1,2} – and it is estimated that this would be available to around 90 per cent of fixed wireless coverage areas.

Fixed Wireless Home Superfast would increase from a potential peak speed of 325/20Mbps to 400/40Mbps and it is estimated this will be available to around 80 per cent of fixed wireless coverage areas.

Subject to industry consultation, we are also planning to make these two speed tiers available from mid-year.

In December, we launched Sky Muster Plus Premium, giving customers uncapped³ data usage and speeds up to four times higher than before. This has been well received by the market and early demand is promising.

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3 Subject to fair use policy and shaping.

SAU variation

The SAU Variation was finalised and accepted by the ACCC in October 2023, allowing us to implement a new Wholesale Broadband Agreement, otherwise known as WBA5, with Retail Service Providers on 1 December 2023.

We removed CVC capacity charges on our three highest residential speed tiers - a watershed moment for our industry and a big win for customers.

We delivered significant reductions in the wholesale prices of entry level and higher speed tiers; increased data inclusions on our 50/20 Mbps plan by 34 per cent; reduced overage charges on entry level and mid-tier products, and committed to annual reductions in overage charges until they are removed by 1 July 2026.

And the new SAU restricts average wholesale price changes to no more than CPI.

As part of our commitment, we are providing wholesale price certainty to the industry by publishing an indicative three-year pricing roadmap. Our current roadmap will be updated by 1 May to reflect the RBA's latest CPI figures, and this will be reflected in our 1 July wholesale tariff list.

As you can see from our results today, and as we promised during the SAU consultation, our Residential Average Revenue Per User, or ARPU, has remained flat at \$47 for the last 12 months – and we expect it to be flat for Fiscal 24.

In other words, the average cost to the industry per customer **has not changed**.

We have actually reduced the wholesale price of five out of our six residential speed tiers – and the one that did increase; our 50/20 Mbps plan – from \$45 to \$50, includes 34 per cent more included data – and a ceiling that caps wholesale charges at \$55 per customer in Fiscal 24.

And to be clear, on average across the industry, that represents a two per cent increase, significantly less than the rate of inflation.

The growth in our customer base and continued take up of higher speed services on the network helped increase total revenue by 5 per cent to \$2.75 billion for the half.

Pleasingly, we are on track to deliver our guidance for Fiscal 24, as set out in our Corporate Plan 2024 - by generating revenue in the range of \$5.3 billion to \$5.5 billion and EBITDA of between \$3.7 billion and \$3.9 billion.

Our successful debt raising via debt capital markets and bank facilities will enable us to repay the remaining \$5.5 billion of the \$19.5 billion Commonwealth Government loan on time by 30 June 2024.

During the half, we successfully raised a further \$3.4 billion from debt capital markets and bank facilities.

I will now hand over to Philip to share more detail on our financial performance and capital management and allocation strategy.

Thank you, Philip.

---- *Philip Knox speech* ----

Stephen Rue – Part two

Thank you Philip.

I would now like to talk about how technology is driving our nation's productivity and as a result, delivering important economic and social impacts to communities across Australia.

Our ongoing investment in network upgrades is lifting the digital capability of Australia. The **nbn** network is essential for the nation to be productive and ensuring Australian businesses are globally competitive.

And as Philip mentioned, we are meeting strong demand for business broadband. We grew our business revenue from \$549 million in the first half of Fiscal 23 to \$570 million in the first half of Fiscal 24, a healthy 4 per cent.

We make no apology for the increased capital allocation in the first half. This is a core part of our strategy. We are investing in fibre, in 5G fixed wireless, and our transit network now, to serve the strong demand we are seeing now – and expect to see in the years ahead - for higher speeds and exponentially more data.

This is a growth business. It is a great business.

We know from our insights – from talking to retailers, from engaging directly with residential and business customers and listening to what they need and want...

And we know from independent research that's been commissioned... that demand for higher speeds and data – both download, and upload – is **set to explode** in the next five to ten years.

Monthly data use has grown tenfold in Australia in the last 10 years.

In 2013, the average Australian home consumed 40 gigabytes per month, over 7 internet-connected devices on average.

Today, it's 481 gigabytes across 22 internet-connected devices. By 2026, we expect that to be 33 connected devices, and 40 by the end of the decade.

This is being driven by the increased use of high and super-high-definition streaming on 4K TVs, increased gaming, and the proliferation of cloud computing.

The use of virtual reality and augmented reality is growing 15 per cent year-on-year. And we haven't even started to see the full impacts of AI.

The confluence of all these macroeconomic forces and micro-changes in everyday human behaviour will drive huge volumes of data - both down and up the pipe - in the very near future.

So high-speed internet and deep capacity within our network will become absolutely essential to support not only working from home, or the office, but every conceivable aspect of daily life across Australia.

We know from recent Accenture research that our network is delivering very real and tangible productivity benefits. It is helping to generate new start-up businesses, and it is supporting the creation of new jobs.

In fact, in the ten-year period from 2012 to 2022, during the height of the **nbn** build, faster broadband speeds are credited with the creation of 169,000 additional jobs throughout Australia.

And the same research, indicates that better, faster broadband will help to generate 113,000 new jobs and support the creation of an estimated 55,000 new businesses by 2030.

nbn customers that have already upgraded to full fibre higher speed tiers will inevitably be enjoying faster speeds, but fibre has also proven to deliver greater reliability.¹

¹ Customer experience on nbn full fibre, including speed, depends on your internet provider, equipment quality and if you use the internet at peak times.

Customers running more concurrent devices can upload and download files faster, experience higher-definition streaming, faster game downloads, and fewer interruptions¹.

We are delivering a better broadband experience, while reducing the environmental impact of our network operation². As a result, we are enabling customers to realise significant social, economic and environmental benefits in a digital world.

SSBI

And as part of this, we continue to tackle barriers to digital inclusion, and as a result increase social and economic equity.

As one example, we are proud to support the Government's School Student Broadband Initiative, known as SSBI, which was set up to provide free **nbn** home internet for up to 30,000 families with school aged students who are not connected to services over the **nbn** network.

1 Customer experience on nbn full fibre, including speed, depends on your internet provider, equipment quality and if you use the internet at peak times.

2 Ref: [nbn-co-annual-report-2023.pdf.coredownload.pdf \(nbnc.com.au\)](#) p19

We have now provided access to fast, reliable internet to over 6,000 families who may otherwise be without this essential service.

And during the half, a new SSBI national referral centre run by Anglicare Victoria was established so families who need it can self-nominate for the program, and this has been extended until the end of 2025.

Sustainability

And in terms of sustainability, during the half, we also made steady progress on our commitment to 100 per cent renewable electricity purchases from December 2025.

In September 2023, our first Renewable Power Purchase Agreement, or PPA, came to fruition when the new solar farm at West Wyalong in the Riverina area of NSW was completed and switched on.

In October 2023, we announced our second Renewable PPA at a wind farm operated by AGL at Macarthur in south-west Victoria.

And in November 2023, we announced the signing of our third Renewable PPA – which will enable construction of a new solar farm in south-east Queensland.

We are also upgrading to a greener network by replacing copper with fibre. Yes, fibre is faster, but it is also more energy-efficient and resilient to the effects of climate change.

In both residential and commercial settings, high speed and reliable internet delivered via the **nbn** network in partnership with key stakeholders such as our retail partners and manufacturers of smart technologies, has the potential to enable emissions avoidance across the Australian economy¹.

This includes applications such as smart Heating, Ventilation & Air-Conditioning, precision agriculture and smart logistics, which reduce energy, electricity, or fuel consumption through process optimisation.

Therefore importantly, our investments in fibre upgrades will not only help improve customer experience - they will also support the nation's transition to net-zero by 2050.

¹ Ref: [nbn-co-annual-report-2023.pdf.coredownload.pdf \(nbnco.com.au\)](#) p19

Outlook and closing remarks

So, before I close, I would like to talk about our vision for the future.

As I said earlier, the digital economy in Australia and around the world is about to explode. We are already seeing the sun set on the cash economy – and within ten years, the digital economy will make up 70 per cent of the entire global economy.

This is more than an interesting touchstone for our business – it's a cornerstone. And we believe our continued investment, financial stability and success is fundamental to the future of the Australian economy.

That's why we are working in partnership with the Australian Government to roll out more fibre, deeper into communities across the nation, and why we are upgrading our fixed wireless and satellite networks.

In my mind, the future roadmap for the development of the **nbn** network, and the propagation and proliferation of 5G, and the evolution of Low Earth Orbit satellite will all be instrumental and complimentary to the growth of our economy.

The SAU was a watershed moment. Our priority is to give people new and compelling reasons to connect to our network, to stay on our network and upgrade to the higher speed tiers they will need to fully participate in the Digital Age.

Today's results should demonstrate we have built our network and continue to carefully manage our costs – but more importantly decisively allocate capital where and when it is needed to unlock the full power and potential of our network.

A greener, faster, and more reliable network.

We will continue to innovate to grow our customer base; we will continue to expand the footprint and influence of better broadband into new greenfield residential and business developments; and we commit to deliver even faster speeds and deeper capacity to more customers.

This is about giving people the freedom they need to do great things in the Digital Age.

It all adds up to an exciting future where digitisation drives real economic benefits, with greater productivity, digital equity and social connection.

So, thank you everyone, and with that, we will now take your questions.

ENDS