



# NBN Co FY24 Financial Results

13 August 2024



# **PHILIP KNOX**

**INTERIM CHIEF EXECUTIVE OFFICER**

NBN Co achieved key performance metrics and full year guidance in FY24

## Network and customers

**12.4m**

Premises Ready to Connect (RTC)  
FY23: 12.3m

**8.61m**

Homes and businesses connected  
FY23: 8.56m

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## Business performance

**\$5.5bn**

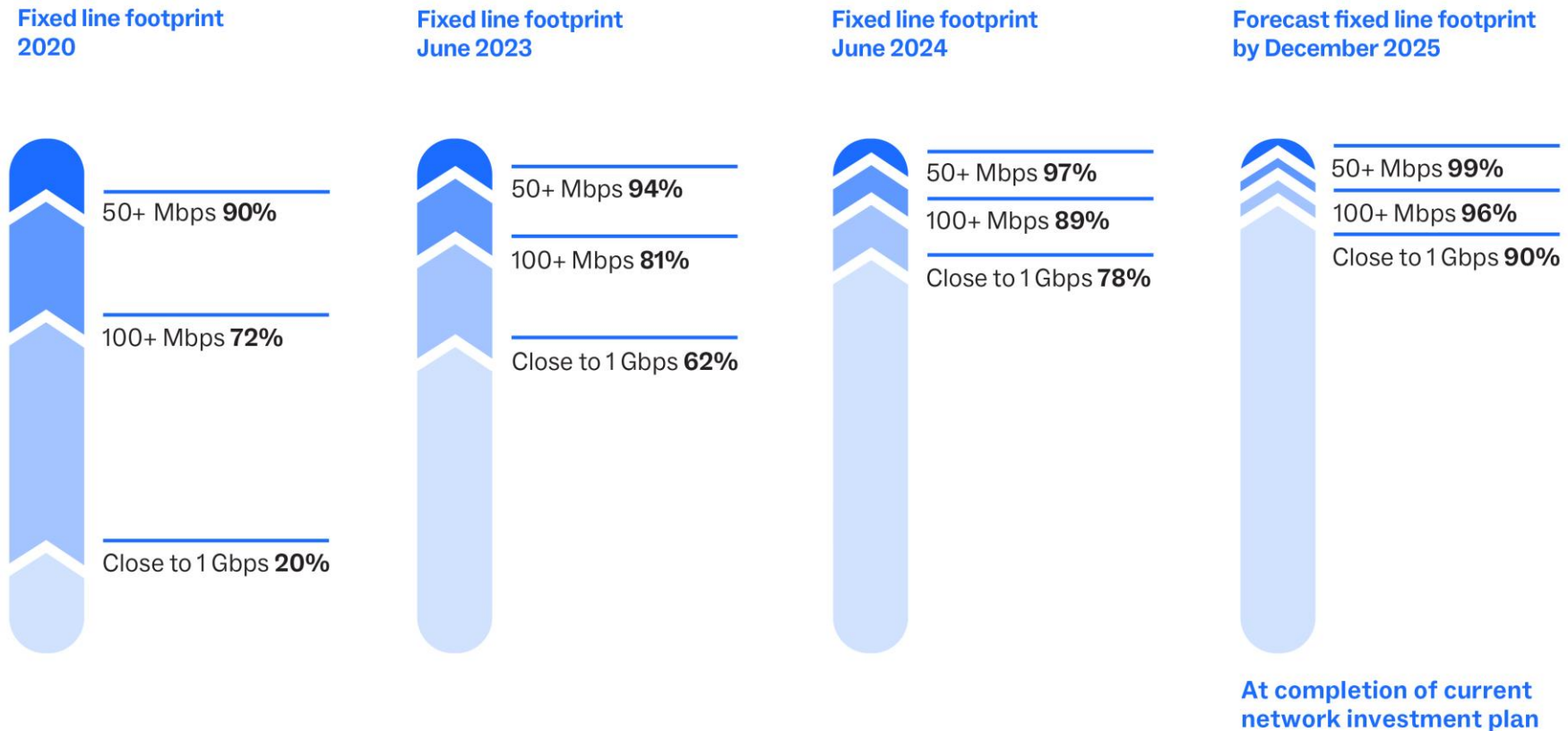
4% increase in revenue  
FY23: \$5.3bn

**\$3.9bn**

9% increase in EBITDA  
FY23: \$3.6bn

# NBN FIXED LINE NETWORK: WHOLESALE DOWNLOAD SPEED CAPABILITIES

A central component of NBN Co's network investment plan is the fibre upgrade program



# NBN SPEED LEADERSHIP PROGRAM

## NBN Co proposals include:

1. Increase speeds across three existing tiers on HFC and FTTP
2. Launch a new era of high-speed plans on HFC and FTTP
3. Next Generation FTTP Network Termination Device (NTD)

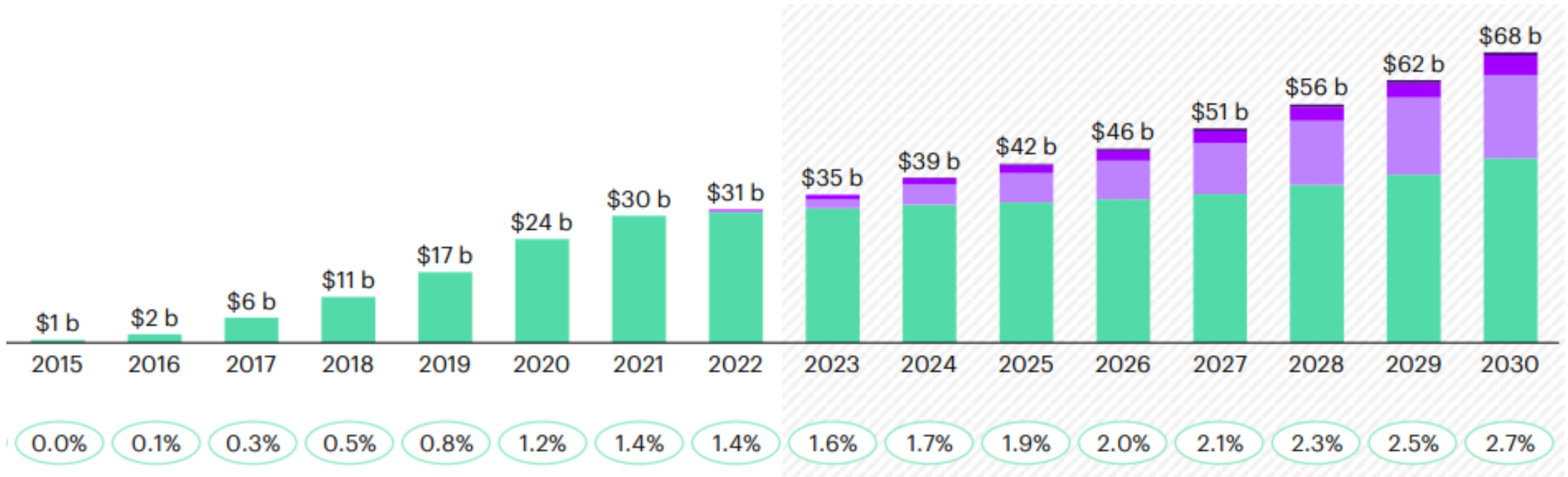


# CONNECTING REGIONAL AUSTRALIA

NBN Co has continuously invested in the nbn® network to improve customer experience, nbn network speeds and help meet evolving data capacity requirements for those residing in regional and remote Australia.

The company is on track to deliver a major upgrade of our Fixed Wireless network to help meet growing data demands.

# SUPPORTING PRODUCTIVITY AND NATIONAL PROSPERITY



Annual GDP uplift

- Productivity Benefits (\$GDP): Fixed Wireless Upgrades
- Productivity Benefits (\$GDP): FTTN to FTTP Upgrades
- Productivity Benefits (\$GDP): FTTC to FTTP Upgrades
- Productivity Benefits (\$GDP): Initial Roll Out

'The economic and social impact of investment in the nbn network', Accenture, January 2024, commissioned by nbn

**99.96%**  
Network availability<sup>1</sup>



**Important information**

<sup>1</sup> 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. This metric has been calculated using the same methodology as in previous months. This metric has been rounded to the nearest two decimal places.





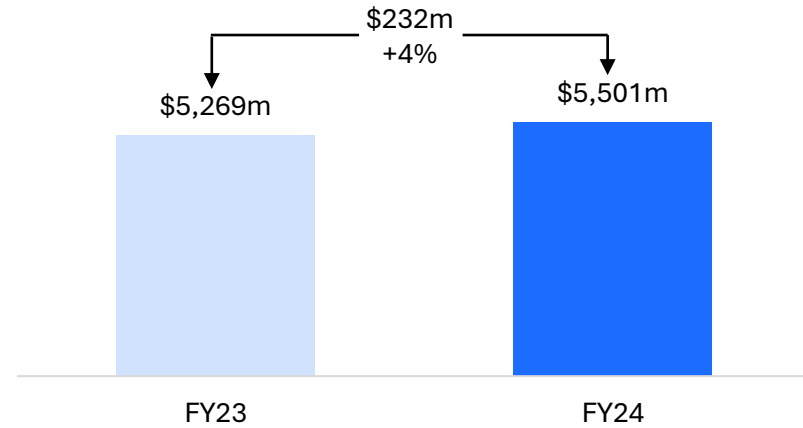
nbn<sup>®</sup>

# **RICHARD CAIRNS**

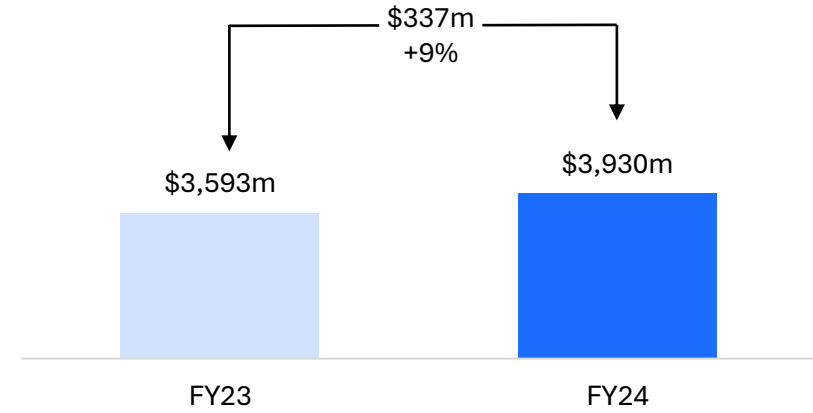
**INTERIM CHIEF FINANCIAL OFFICER**

# HEADLINE RESULTS FY24

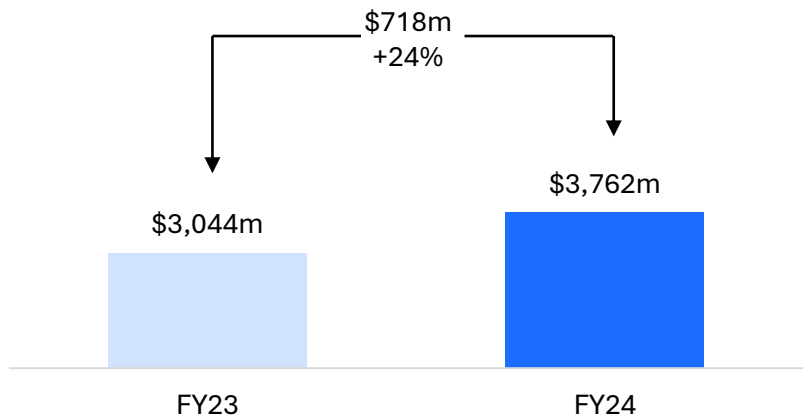
## Revenue



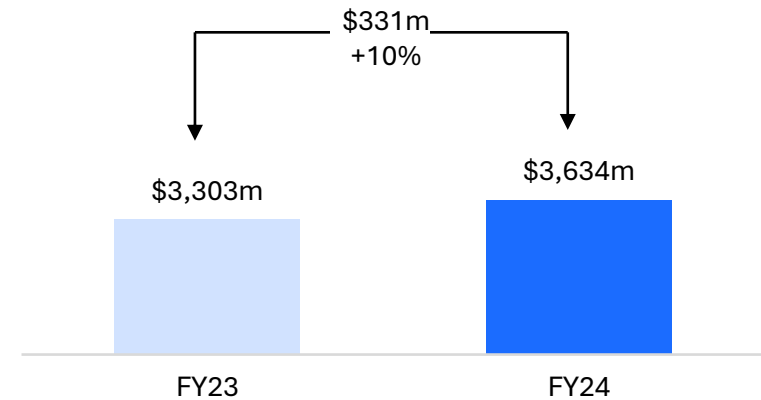
## EBITDA



## Capital Expenditure



## Operating cash flows<sup>1</sup>



<sup>1</sup> Excluding receipts from government grants and infrastructure lease payments

## Solid FY24 revenue performance supported by growth in customer demand

\$m	For the 12 months ended		% Increase/ (Decrease)
	30 June 23	30 June 24	
Telecommunications revenue	5,137	5,220	2%
Other revenue	132	281	113%
<b>Total</b>	<b>5,269</b>	<b>5,501</b>	<b>4%</b>
Activations (premises)	8,558,783	8,609,129	1%

- Telecommunications revenue has increased by 2% due to growth in activated premises and business revenue
- Over 8.6 million homes and businesses are now connected to the nbn® network, up by over 50,000 premises compared to 12 months ago
- Residential ARPU remained stable compared to FY23 at \$47
- Business revenue, including Enterprise Ethernet services, grew 3% to \$1,141 million for the twelve months ended 30 June 2024
- Other revenue increased due to higher network deployment activity in new developments and contributions received in respect of co-investment projects under the Connecting Victoria Program and the Commonwealth Government’s Regional Connectivity Program

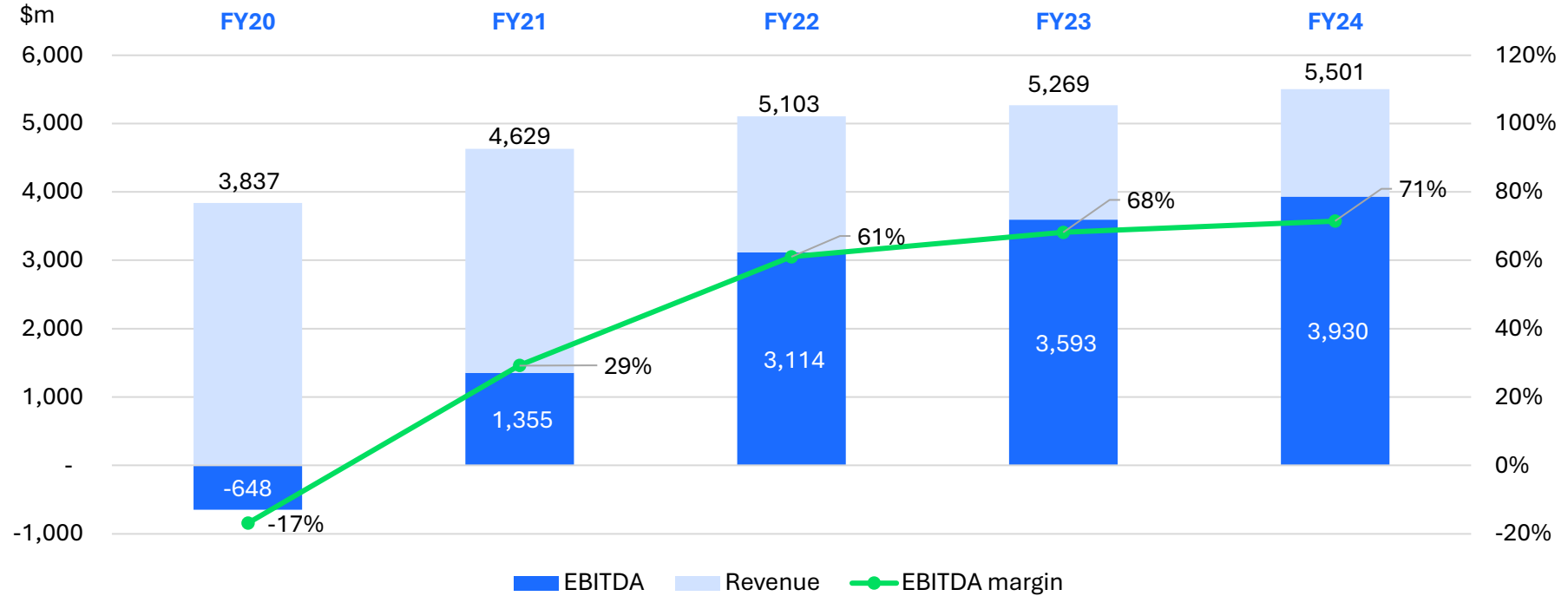
## Operating expenditure continues to reflect efficiency improvements

\$m	For the 12 months ended		% Increase/ (Decrease)
	30 June 23	30 June 24	
Direct network costs	618	605	(2%)
Employee benefits expenses	698	610	(13%)
Other operating expenses	493	497	1%
<b>Total operating expenses</b>	<b>1,809</b>	<b>1,712</b>	<b>(5%)</b>
Operating expenses as a % of revenue	34%	31%	(3%)

- Direct network costs have decreased by 2%, with lower assurance costs resulting from efficient network maintenance and operations and improved network stability
- Employee benefits expenses have declined due to lower average headcount compared to prior year
- Other operating expenses increased slightly due to inflationary pressures which have been partially offset by efficiency gains

# CONTINUING EBITDA MOMENTUM

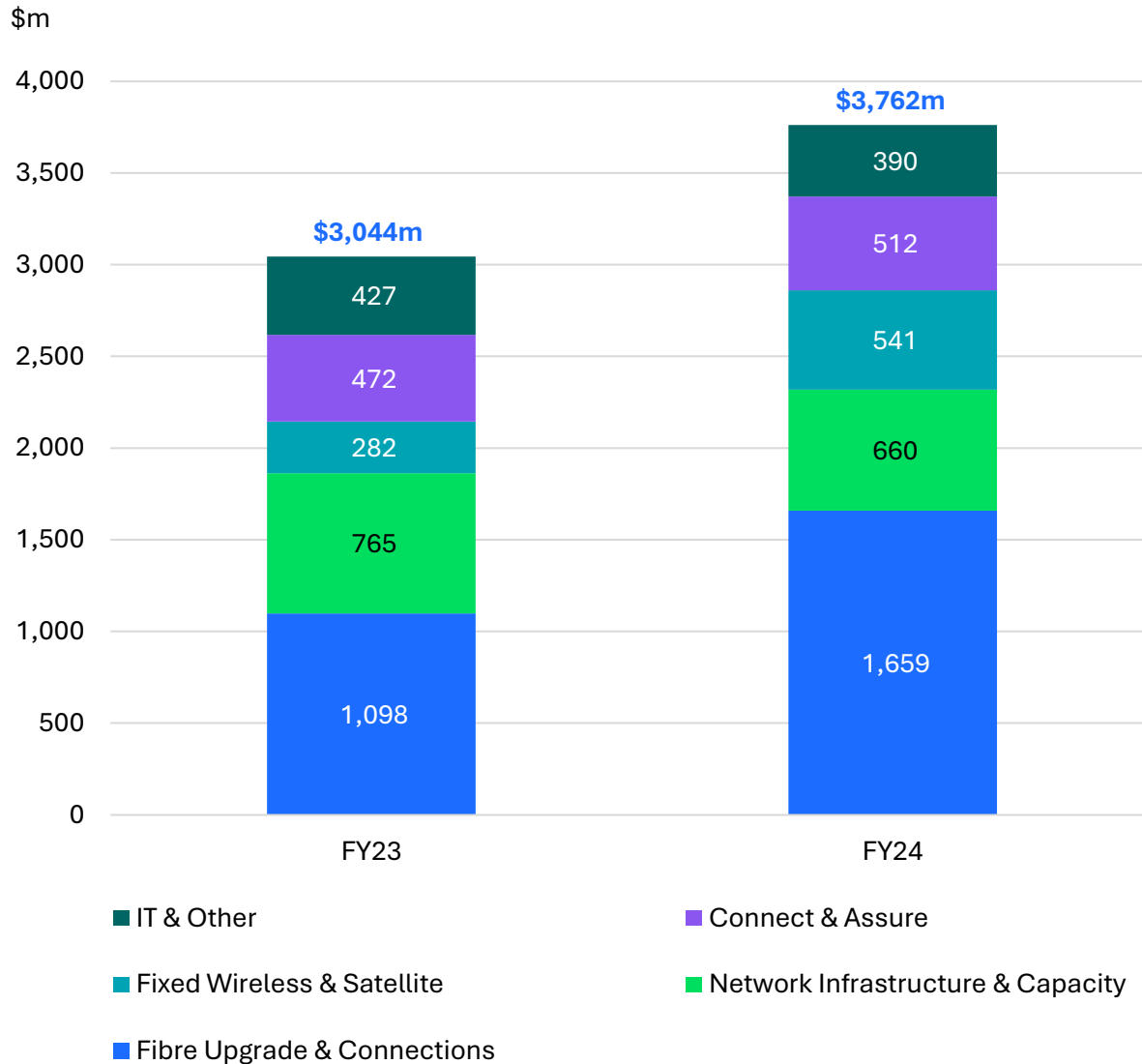
### Revenue, EBITDA and EBITDA margin



- EBITDA growth continues to be driven by both increasing revenues and declining operating costs
- EBITDA margin continues to grow in line with expectation, reaching 71% for FY24, up from 68% in FY23

# CAPITAL EXPENDITURE

## Continued investment in the network and delivering fibre and fixed wireless upgrades

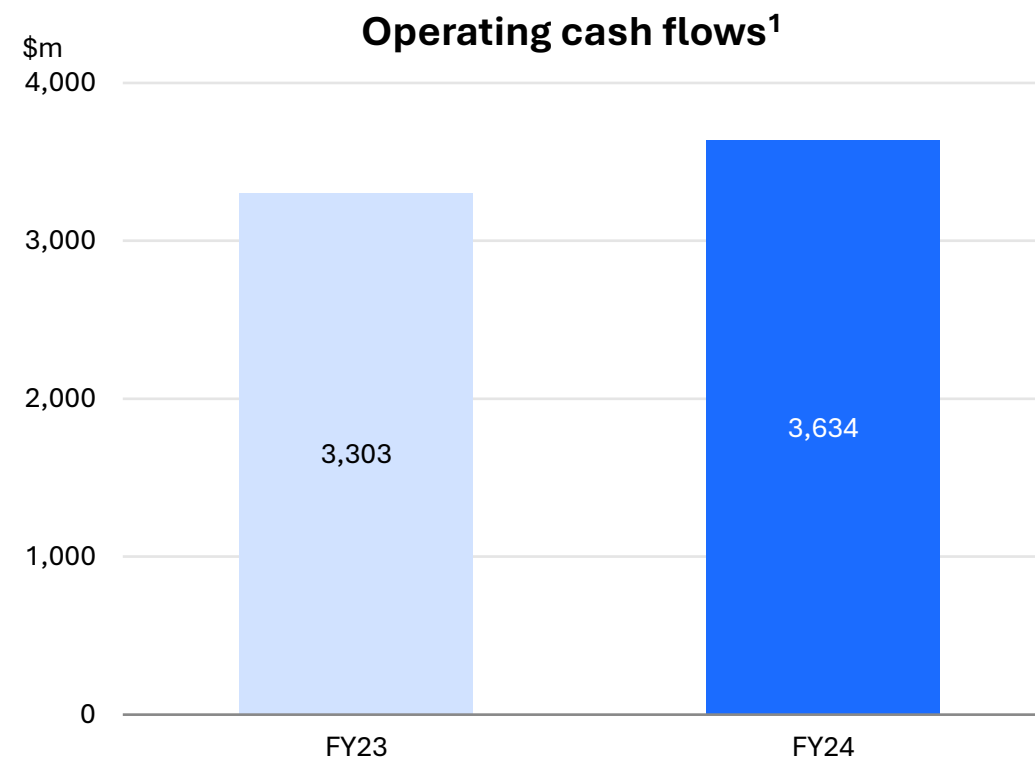


NBN Co continues to invest in the nbn<sup>®</sup> network on behalf of our customers. Capital expenditure in FY24 has increased compared to the corresponding period driven by the following:

- 1 Fibre upgrade investment of \$1,659 million to enable more FTTN customers to access FTTP technology, and to deliver increased volumes of fibre connections to upgraded premises
- 2 Network Infrastructure and Capacity expenditure of \$660 million to build fibre to new developments and business customers, and to deliver incremental network capacity to cater for increasing network traffic demand
- 3 Fixed Wireless and Satellite investments of \$541 million to deliver the Fixed Wireless Upgrade Program which is due to be completed in FY25 and ongoing improvements in the Satellite network
- 4 Connect and Assure capital expenditure of \$512 million for continued first-time connection and re-connection of premises onto the nbn<sup>®</sup> network, along with capitalised network assurance costs
- 5 IT and Other investment of \$390 million includes software and system development, network security and resilience, and facility costs

## Network upgrade investments funded by improving operating cashflows and equity funding

\$m	For the 12 months ended	
	30 June 23	30 June 24
Operating cash flows <sup>1</sup>	3,303	3,634
Receipts of Government grants	38	31
Capital expenditure payments	(3,000)	(3,793)
Equity funding from the Commonwealth	305	771
Lease payments	(1,088)	(1,147)
Interest paid on borrowings and other financial liabilities	(693)	(882)
<b>Free cash flow</b>	<b>(1,135)</b>	<b>(1,386)</b>



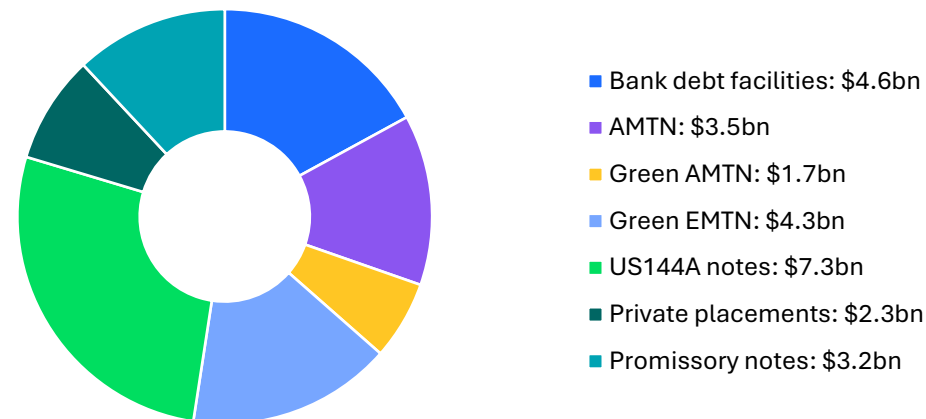
- Operating cash flows continue to improve in line with the EBITDA performance of the Company
- In line with expectations, free cash flow continues to be negative, due to the higher capital expenditure incurred to deliver the fibre upgrade programs, which is partially offset by the receipt of \$771 million in equity funding from the Commonwealth Government, as part of their commitment to provide NBN Co with up to \$2.4 billion to support additional fibre upgrades
- Lease payments and interest paid on borrowings also increased compared to FY23 due to CPI-linked increases on lease arrangements, higher average levels of debt and weighted interest rates

<sup>1</sup> Excluding receipts from government grants and infrastructure lease payments

## Debt issuances have helped fund ongoing network investment and refinancing of the Commonwealth loan

Debt overview	As at	
	30 June 23	30 June 24
Contributed equity (\$m)	29,805	30,576
Company debt (\$m) <sup>1</sup>	25,823	26,888
Weighted average cost of drawn debt <sup>2</sup>	2.89%	3.24%
Fixed interest ratio <sup>3</sup>	92%	74%
Weighted average duration of available debt (years) <sup>4</sup>	4.4	4.4
Committed liquidity (\$m) <sup>5</sup>	4,510	2,914

Summary of drawn debt as at 30 June 2024<sup>6</sup>



- During FY24, NBN received \$771 million of equity funding as part of the Commonwealth Government’s commitment to provide NBN Co with up to \$2.4 billion to support additional fibre upgrades
- NBN Co raised just under \$6.5 billion in bank and capital markets debt during the year ended 30 June 2024, including \$3.0 billion of green bond issuances under the Company’s Sustainability Bond Framework<sup>7</sup>
- These debt issuances enabled the refinancing of the remaining \$5.5 billion balance of the \$19.5 billion Commonwealth loan in June 2024
- The weighted average cost of drawn debt has increased due to higher recent market interest rates which impact NBN Co’s unhedged floating debt portfolio as well as newly issued interest-bearing debt and associated derivatives
- Committed liquidity of \$2.9 billion, decreased from \$4.5 billion as at 30 June 2023, largely as a result of the repayment of the Commonwealth loan in June 2024

1. Principal value of drawn debt, including overdraft facility but excluding hedge valuation adjustments, accrued interest and fees.
2. Average for the financial year, includes the interest rate impact of hedging activities and amortisation of associated fees
3. Percentage comprises fixed and floating rate debt that has been hedged as a proportion of total debt. Excludes forward starting interest rate swaps.
4. Excluding promissory note issuances and the Commonwealth loan for 30 June 2023 comparative purposes.
5. Excluding uncommitted debt with less than 12 months to maturity. Comprised of undrawn committed bank facilities and available cash less promissory note issuances and overdraft facility.
6. The figures presented in the graph have been rounded to the nearest 1 decimal place.
7. Comprised of \$850 million Green Bond under NBN Co’s Australian Medium-Term Note Programme and EUR 700 million and EUR 600 million Green Bonds (swapped to AUD \$1,160 million and AUD \$995 million respectively) under NBN Co’s Global Medium-Term Note Programme.



# FY24 STATUTORY RESULTS

NBN Co achieved revenue and EBITDA results at the upper range of its targets as outlined in Corporate Plan 2024

\$m	For the 12 months ended		% Increase /(Decrease)	
	30 June 23	30 June 24		
Total revenue	5,269	5,501	4%	<ul style="list-style-type: none"> <li>Revenue growth driven by increased activations and business revenue, as well as increased revenue from network construction activity for new developments and co-investment projects</li> </ul>
Operating income	133	141	6%	<ul style="list-style-type: none"> <li>Primarily consists of income recognised for Fixed Wireless upgrade grants and the Regional Broadband Scheme</li> </ul>
Operating expenses	(1,809)	(1,712)	(5%)	<ul style="list-style-type: none"> <li>Operating expenses have decreased by 5% due to reduced workforce related costs and lower required assurance activity on the network</li> </ul>
<b>EBITDA</b>	<b>3,593</b>	<b>3,930</b>	<b>9%</b>	<ul style="list-style-type: none"> <li>EBITDA increase of 9%</li> </ul>
Depreciation and amortisation expense	(3,082)	(3,209)	4%	<ul style="list-style-type: none"> <li>Higher depreciation and amortisation expense resulting from the Company's greater asset base due to ongoing capital investment and the re-estimation of useful lives of certain network assets</li> </ul>
Other income	35	38	9%	<ul style="list-style-type: none"> <li>Non-cash income related to contributed network infrastructure from third parties</li> </ul>
<b>EBIT</b>	<b>546</b>	<b>759</b>	<b>39%</b>	<ul style="list-style-type: none"> <li>EBIT improved by 39% to \$759 million from \$546 million in FY23</li> </ul>
Finance costs on lease arrangements	(900)	(942)	5%	<ul style="list-style-type: none"> <li>Higher finance costs on lease arrangements as a result of CPI-linked increases</li> </ul>
Net finance costs on borrowings <sup>1</sup>	(755)	(888)	18%	<ul style="list-style-type: none"> <li>Net finance costs have increased due to higher average debt borrowings and a higher weighted average cost of debt during the period</li> </ul>
Income tax expense	(10)	(105)	\$95m increase	<ul style="list-style-type: none"> <li>Temporary non-cash impact related to deferred tax accounting treatment associated with financial derivatives</li> </ul>
<b>NPAT</b>	<b>(1,119)</b>	<b>(1,176)</b>	<b>5%</b>	<ul style="list-style-type: none"> <li>5% or \$57 million decline in statutory NPAT</li> </ul>

<sup>1</sup> Includes gain/(loss) on derivatives measured at fair value through the P&L



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# DATA DEMAND CONTINUES TO GROW

- Monthly data use has grown tenfold in Australia during the past decade
- Ten years ago, households had on average 7 internet connected devices
- Today, that number is 22 and nbn expects this to grow to around 33 connected devices by 2026 and 40, on average, by the end of the decade



# POWERING EDUCATION OPPORTUNITIES



NBN Co continues to support the Australian Government's School Student Broadband Initiative (SSBI)



Launched the SSBI National Referral Centre



Now providing access to fast, reliable internet to over 15,000 families



Since the launch of the National Referral Centre in October 2023, eligible families with school aged students have been able to self-nominate for the offer, rather than relying exclusively on referrals



# SUPPORTING FIRST NATIONS COMMUNITIES

Through the installation of 107 community Wi-Fi points within 101 First Nations communities around Australia, nbn is enabling access to essential services.

Following \$20 million grant funding from the Australian Government, the company is expanding its Community Wi-Fi program to a further 23 remote First Nations communities.



# SUSTAINABILITY

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

## Wyalong Solar Farm

nbn is contracted to take approximately 90 GWh per annum

## Munna Creek Solar Farm

nbn is contracted to take approximately 59 GWh per annum, upon completion of the solar farm

## Macarthur Wind Farm

nbn is contracted to take approximately 90 GWh per annum

## Replacing copper with fibre

Delivering faster speeds, greater energy-efficiency, and helping to make the nbn® network more reliable and resilient



# LIFTING THE DIGITAL CAPABILITY OF AUSTRALIA





# Questions