

OPENING

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Good morning and thank you for joining us for the release of NBN's latest Corporate Plan.

I trust you all have the Corporate Plan materials provided to you by our media team.

These are also available now on the nbn website.

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Joining me today from nbn's executive team are – Chief Financial Officer Philip Knox, Chief Customer Officer Residential Brad Whitcomb, Chief Customer Officer Business Paul Tyler, and Chief Network Deployment Officer Kathrine Dyer.

I'll run you through the 2020 to 2023 Corporate Plan, and then my colleagues will join in to answer any questions you may have at the end of the presentation.

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INTRO AND POLICY OBJECTIVES

Five years ago, not long after I joined nbn, the company's management team was tasked with drawing up a blueprint on how to fulfil the government's promise to bring fast broadband to all Australians as soon as possible.

For us, that meant setting an ambitious deadline to bring access to fast, ubiquitous broadband to more than 11.5 million homes and businesses by the end of June 2020.

Today, I can proudly say that with just 10 months to go before that deadline, we are on track to accomplish this ambitious goal and complete the build, on time and on budget.

Completing any large-scale infrastructure project, let alone one that crosses the entirety of this vast nation, is tough.

Completing it to deadline and budget, is tougher.

And this of course is no ordinary infrastructure project.

This is a total recasting of the nation's telecommunications market.

It's a major piece of structural reform designed to boost competition, improve telco services and fundamentally change the way Australians live and work by offering universal broadband access across the continent.

Thanks to nbn's people, our delivery partners, and the telecoms industry - we are now within touching distance of completing this mammoth task.

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This is an incredible accomplishment for nbn and its employees, but also for the nation which stands to gain from the benefits that this piece of critical communications infrastructure will unlock for all Australians.

We know from the Connecting Australia report that NBN is already delivering on this promise by making huge social and economic differences to the lives of Australians.

The report – which was commissioned by NBN - found that by the end of the roll-out in 2020 the NBN access network is expected to be contributing more than \$10 billion a year to the economy.

We also know from this research that in nbn connected areas: the rate of growth in digital economy jobs is outpacing the national average by a factor of five; that the number of self-employed women in these regions is growing 20 times faster; and that businesses can now stay in small towns and thrive instead of moving to the city to access online markets.

These economic and social benefits are set to increase in coming years as the full potential of a completed **nbn** is unleashed on the nation.

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PROGRESS UPDATE

As we recently revealed at our financial results, fiscal 19 was an incredible year for nbn and has set the company up with the momentum we need to finish the job.

On 30 June 2019, more than 9.9 million homes and businesses were made Ready to Connect with more than 5.5 million premises being connected to a service over the nbn network.

Over the past year we expanded our ready to connect footprint by close to 3 million homes and businesses, activated 1.5 million premises on the network and continued on our trajectory to cash flow positive territory as we brought in \$2.8bn in revenue.

This growing revenue base will form the bedrock of our future investments into customer experience and a high-speed, resilient and secure network that can meet Australia's digital needs.

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For rural and regional Australia - the areas where competition for telco services was needed most - we have almost completed the build, with more than 91 per cent of premises in non-metro areas now having access to the nbn network.

This is making a real difference to competition by providing a playing field that can be accessed by all retailers.

It is also helping to shrink the digital divide between the city and the bush, with Australia jumping up the ranks of OECD countries in terms of equality of internet connectivity.

The Alpha Beta research I mentioned earlier projects that by 2021, Australia will move from being in the bottom 10 OECD countries in terms of equality of internet access and speed, and into the top 10.

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OUTLOOK

This next year will be another pivotal period for nbn.

By this time next year, we will have expanded our Ready to Connect footprint to more than 11.5m homes and businesses which will mark the completion of the rollout as we envisioned.

We will also have activated more than seven million premises, ensuring we have the customers and revenues needed to reinvest in the company, our customer experience initiatives and future upgrade paths.

Importantly, as we edge closer to the finishing line, we will continue to sharpen our focus on becoming a full-scale, service delivery organisation, centred on the customer experience.

Driving this refreshed strategy with its focus on the customer, will be a new purpose for NBN: to help lift the digital capability of Australia.

This purpose really underlines what **nbn** is all about for me. And that's ensuring that this network - this digital backbone of the nation - provides the platform and access to services for Australians to help unlock the economic and social benefits that fast broadband can deliver.

At nbn we know what we need to do to fulfil this strategy and achieve our goals, but we can't do it alone.

Improving customer experience requires an industry wide co-operative approach.

That's why over the coming years we will double down on our commitments to improve customer service by listening better to what customers want and need, and by working in collaboration with our retail partners, the industry, regulators and the government to deliver on those promises.

We want to deepen our collaboration with retail service providers and work more closely with the industry to positively influence aspects of the customer experience outside of our control.

This includes working together to help customers make the right choices on modems, in-home and in-business setup or Wi-Fi capability. These are all known factors that can be the difference between a great broadband experience and a bad one for a customer.

To give you an idea of how we are increasingly working with the industry to improve CX, we recently ran an internal project with retail partners to better understand how to solve the most common problems customers were experiencing with their broadband connections.

These problems were typically customer issues with the in-home experience like poor modem and wi-fi setup, or old internal wiring.

Working closely with retailer partners, we selected customers who had challenging issues and sent out our technicians together to the customer's home. We were not only able to refine our testing and diagnostic processes, but we were able to solve these issues and dramatically lift overall customer satisfaction by 20 per cent.

Although this was a limited trial, these are outstanding results, and it shows that when we work together, we can make a truly meaningful difference to customer experience.

Customer experience initiatives like these and others will be a driving force for nbn in coming years, and you will be hearing us talk a lot more about what we are doing to improve customer experience so customers can get the most out of their broadband services.

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INDUSTRY COLLABORATION

We know that to deliver on our purpose to lift the digital capability of the nation, NBN must not only be sustainable and successful, but so too must our retail, industry and construction partners.

Since putting together our blueprint five years ago, we have seen competition thrive on nbn, with the number of retailers selling plans over the network growing by more than 70 per cent.

We were also pleased to see the competition regulator recently acknowledge the positive impact nbn was having on the competitive landscape, with its latest market share report noting that more retailers are directly accessing NBN in more locations across Australia, offering greater choice and better services for consumers and businesses.

As you know, we are currently in consultation with the industry on NBN's wholesale pricing plans.

We continue to be guided by our overarching strategy in these discussions: which is to complete the build, improve customer experience and grow revenues so we can reinvest in the network.

But we recognise that we must also balance these objectives against those of the industry, which has been vocal in its calls for reduced prices to access the nbn.

Without pre-judging the outcome of those consultations, it's worth pointing out that NBN has significantly reduced its bandwidth charge – known as the CVC - over the years, and that its cost has actually halved since 2016.

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We also responded, in late 2017, with pricing discounts and new bundles to provide greater CVC certainty for retailers.

These plans resulted in a dramatic adoption of higher speed plans, with the mix of customers on a 50mbps or faster service surging from 16 per cent in 2017 to 65 per cent of all services today.

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As customers move up speed tiers, it's worth pointing out that prices for telecommunications services have remained below CPI levels.

Earlier this year we commissioned economics analyst firm Alpha Beta to compare retail pricing in real terms and found that in a study of almost 4600 broadband plans from 22 countries, Australia was the seventh most affordable market.

The report also found that since 2000, Australia's cost of living has risen 63 per cent, while telecommunications prices fell 6 per cent.

This was mostly due to a steep fall in telecommunications prices in the last five years, since the rollout of the NBN gathered pace and compares against a 224 per cent increase in electricity prices and a 134 per cent increase in the price of healthcare.

CP20 FIGURES

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RTC

Now, to this year's Corporate Plan.

As with any forecast there are some variations in this year's plan. That's to be expected of any infrastructure project as large and uniquely complex as this one.

But I want to emphasise very strongly what has not changed are the fundamentals of our business plan.

And these are: to complete the build of this massive infrastructure project by the end of June 2020; to connect three quarters of the nation to the network; to create sustainable

revenues of more than \$5bn a year, and to generate positive cashflows from 2023 onward, which can be used to ensure there is sufficient, ongoing investment in the business on behalf of the community.

As I mentioned earlier, next year we will complete the build as we add another 1.5m homes and businesses to the Ready to Connect footprint.

While we are signposting this as the completion date, naturally, construction activities will continue into the future as new houses are added to the nation's stock.

Our construction delivery plan includes a very small number of premises that require bespoke solutions and we will be taking a considered approach to complete these.

These are connections that depend on factors outside of NBN's control, such as restricted properties, properties under development, heritage sites and culturally significant areas.

These account for less than one per cent of premises in Australia, but I assure you they are firmly in our sights and we will endeavour to deliver them as soon as practicable.

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ACTIVATIONS

In last year's Corporate Plan, we targeted 5.5 million premises to be activated in fiscal 19, which we delivered.

By 2023 we anticipate having 8.6 million premises connected to nbn services, largely in line with last year's plan.

We continue to anticipate take-up rates in the fixed line network within the range of 73-75% as foreshadowed for many years.

You can see that we do see some changes between plans as to the timing of network connections.

This change in timing is a factor of many things.

For instance, due to the complexity of civil build, we anticipate that the FTTC build will be completed later in fiscal 20 than was assumed in last year's plan.

We have also prioritised customer experience, meaning work such as completing lead-ins will now be completed during the build, and prior to releasing an area for sale.

In addition, our modelling continues to be refined in conjunction with our retail partners, where we are seeing some customers in metro areas taking a bit more time before migrating to nbn.

It's important to repeat, however, that these shifts only impact us in terms of timing.

Again, I emphasise, our medium-term forecasts remain largely unchanged from previous corporate plans.

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REVENUE

Regarding revenue, we continue to see revenue grow to \$5.6 billion in fiscal 2022.

This is significant for two reasons.

The first is that it shows we are meeting Australians' demands for broadband services capable of delivering the bandwidth they need for their personal and business uses.

Indeed, customer demand for data continues to grow strongly on the nbn network with customers' average monthly data downloads growing 27 per cent over the last 12

months to 255GB per user, per month, in June 2019 compared to 201GB per user per month in June 2018.

As a point of comparison, when non-nbn services like ADSL are considered in the technology mix, the average monthly downloaded is drastically lower.

The fact that fixed-line broadband networks continue to carry the vast majority of internet traffic in Australia, accounting for more than 90 per cent of all downloads, shows just how important the nbn will be to the nation's future download demands.

The second important point for achieving our take-up forecast is that it will give us the sustainable revenue base we need to ensure we have the right level of return to reinvest in the business so we can continue to improve customer experience, and upgrade access technologies when the need and demand arises.

ARPU

From this corporate plan and onwards, we will no longer be reporting the blended ARPU figure that we have previously used.

We will now instead break out the residential ARPU figure, which we believe is a more meaningful metric.

On this front, residential ARPU increased by \$1 in the last 12 months and we forecast this will continue to climb to \$49 in fiscal 23 with the take-up of higher speed plans and increased data consumption.

In particular, over coming years, we anticipate more customers will select 50 and 100mbps speed plans.

We are also planning to make speed plans in excess of 100mbps and up to one gigabit, available across more access technologies, and we are currently consulting with our retailer partners on this, amongst other things.

We do not intend to break out business ARPU as we do not believe it is meaningful on a per premises basis. However, we will provide progress against our business revenue targets on an ongoing basis.

BUSINESS SEGMENT

Speaking about business, we remain absolutely committed to supporting businesses as we continue the roll out as the network and anticipate revenues of \$1.2 billion per annum by 2023.

We believe we have a role here, not just to connect businesses with connectivity solutions, but also to support the creation of new jobs, to help businesses expand, and to support productivity growth.

This is not a new thing, but you may be aware we've made a concerted effort in the past year or two to build our capability with retail providers to meet the needs of the business market across the entire country.

There are already more than half a million businesses connected to the nbn, from micro-businesses right through to the very largest enterprises.

As you will know from the targets we have set – to grow this into a \$1 billion a year business by fiscal 22 - the task is far from over.

We will continue to focus on ways to enhance our business-grade offerings and ensure that providers have the opportunity to grow their presence in this market with nbn wholesale products and services.

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The financial plan out to fiscal 23 is outlined on this slide.

Here you can see revenue growing to \$5.9bn.

Operating costs remain fairly flat across the years, but underlying that are payments to Telstra for access to ducts, pits and exchanges, growing from \$1 billion in 2023.

These payments continue on for several decades.

Subscriber payments are paid to Telstra and Optus as homes and premises disconnect from the Telstra network or migrate to the nbn network.

These peak at \$2.3 billion in fiscal 2020.

With the conclusion of the build in June 2020, capital expenditure falls in following years.

You can see that the company reaches a healthy cashflow position by fiscal 23 which is important for future investment in the company.

I should point out that these numbers do not apply statutory accounting principles for leased assets.

A reconciliation to statutory accounting is provided in the corporate plan details.

FUTURE TECH

Once we complete the build, we won't be standing still, even though we expect to have 50 per cent of the network gigabit-capable at that time.

We have already begun upgrading our HFC network with the installation of DOCSIS 3.1 technology. This will improve the spectral efficiency of the network to enhance its speed and capacity.

In early 2020 we will also begin the first real-world pilot of the G.fast protocol across our FTTC network. Trials indicate that G.fast can provide gigabit capable speeds over short copper distances. We have been steadily deploying G.Fast capable DPUs since last year and well advanced in our plans to make this technology ready when the need arises.

We also continue to upgrade wholesale capacity on the Fixed Wireless network – at both the cell and backhaul level – to help improve the overall experience for customers on this access technology.

And we have more recently launched our Fixed Wireless Plus product.

We will continue to assess emerging wireless technologies like 4G Massive MIMO and 5G Millimetre Wave, which may offer upgrade paths to further enhance the capacity and speeds available in the future.

Our satellite services will continue to evolve as we continue to meet the needs of remote businesses and education centres and launch new products like Sky Muster Plus to help improve the experience for customers on this technology. We also anticipate to launch enterprise grade services over satellite in coming months.

And we will work with the community and the government to ensure we continue to invest in the nbn network post 2022 when we are cash flow positive.

CLOSING

As I said earlier, we are immensely proud that we are on track to deliver this project to budget and deadline by June 30 next year.

We know there is more to complete the build, improve customer experience and help all Australians make the most of their nbn service.

But for that transition to occur, we need to alter our thinking so that it is less focused on what NBN is, and more about what NBN can do.

For me, this network is far greater than the sum of its parts.

It isn't just a network of pits, pipes, electronics and cables that connect homes and businesses to the internet – it is the backbone of our digital economy.

It's a creator of jobs, an enabler of better healthcare and education, and the vital link between remote and metropolitan Australia that keeps this nation connected to itself and the world.

That's why as we near the finish line on the build, we will increasingly sharpen our focus and make the users of this network, the people of Australia, at the centre of all that we do.

Thank you.

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