



NBN Co

FY22

Financial Results

9 August 2022



Stephen Rue

Chief Executive Officer



Headline results FY22

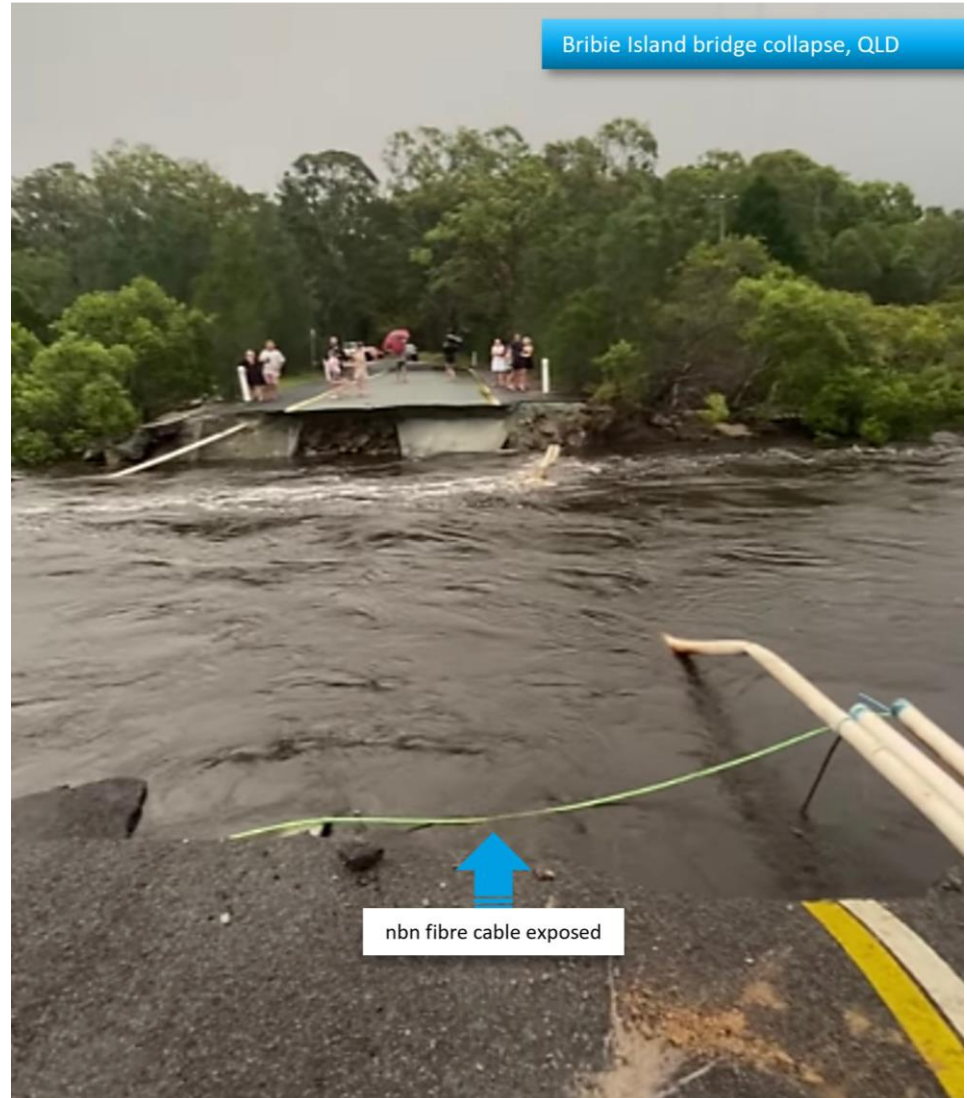


Improving our network

<p>✓ Premises Ready to Connect</p> <p>12.1m</p>	<p>✓ Premises able to access nbn® Home Ultrafast</p> <p>5.1m</p>	<p>✓ Premises able to access nbn® Home Ultrafast by 2025</p> <p>9.7m</p>
<p>✓ HFC premises with access to highest speed tiers</p> <p>2.5m</p>	<p>✓ Upgrade of Fixed Wireless network</p> <p>\$750m</p>	<p>✓ Premises in Satellite area to access enhanced Fixed Wireless</p> <p>120,000</p>



Supporting communities in times of need



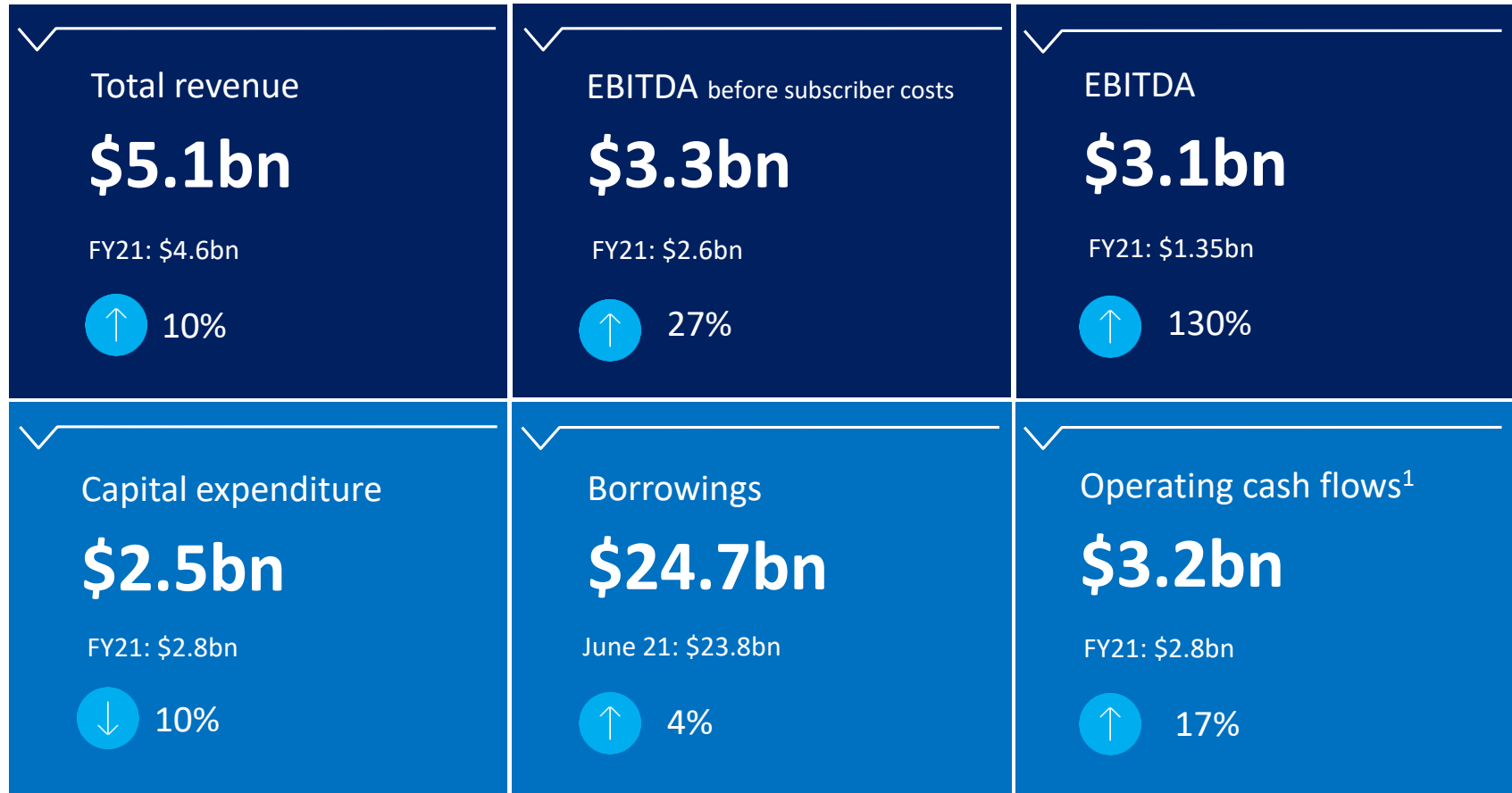


Philip Knox

Chief Financial Officer



Headline results FY22



¹ Excluding subscriber costs payments (ex GST) and receipts from government grants

Revenue, customer base and speed tier mix

\$m	For the 12 months ended		
	30 June 21	30 June 22	% Increase/ (Decrease)
Telecommunications	4,448	5,004	13%
Other	181	99	(45%)
Total	4,629	5,103	10%
Residential ARPU (\$)	\$45	\$46	2%
Activations (premises)	8,200,402	8,516,177	4%

Strong FY22 revenue performance driven by customer demand

- Higher Telecommunications revenue driven by increased activations and improved ARPU performance
- Customer take-up of higher speed tier products driving Residential ARPU growth
- 8.5 million homes and businesses now connected to the **nbn**[®] network

Total nbn™ network speed tiers (Mbps)			
	30 June 20	30 June 21	30 June 22
Below 50/20	31%	25%	24%
50/20 or above	69%	75%	76%
Total	100%	100%	100%

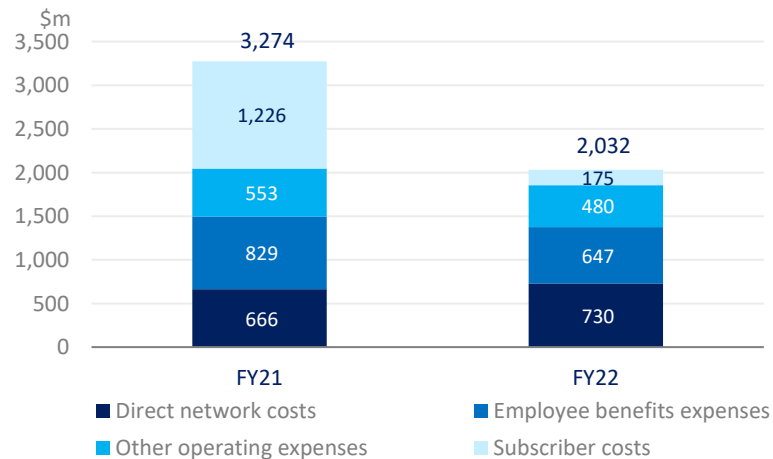
Incremental take-up of faster speed tier products

- 76% of customers on a 50Mbps speed tier product or higher
- 18% of customers on a 100Mbps speed tier product or higher

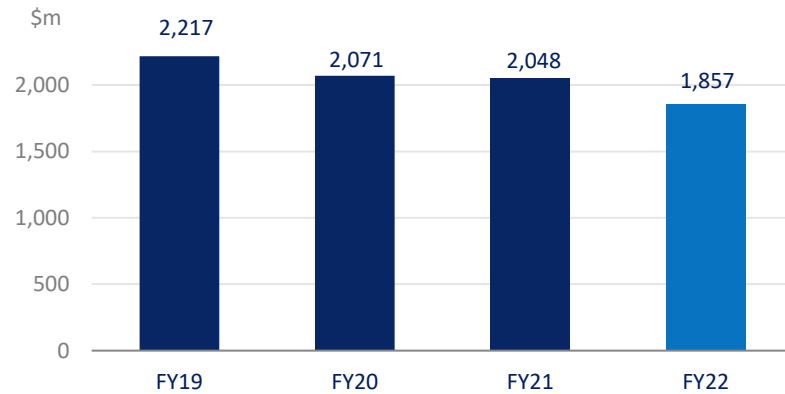
Operating expenditure continues to decline

\$m	For the 12 months ended			
	30 June 21	30 June 22	% Increase/ (Decrease)	
Direct network costs	666	730	10%	<ul style="list-style-type: none"> Increase in direct network costs driven by the growth in our customer base and higher network assurance and maintenance costs due to adverse weather events
Employee benefits expenses	829	647	(22%)	<ul style="list-style-type: none"> Lower employee benefits expenses as a result of a progressive reduction in FTEs following initial build completion
Other expenses	553	480	(13%)	<ul style="list-style-type: none"> Cost reduction initiatives driving lower expenditure across multiple spend categories
Operating expenses	2,048	1,857	(9%)	<ul style="list-style-type: none"> Total operating expenses decreased 9%
Subscriber costs	1,226	175	(86%)	<ul style="list-style-type: none"> Substantial decline in subscriber costs in line with customer disconnection/migration activity from legacy Telstra and Optus networks – remaining costs are immaterial
Total	3,274	2,032	(38%)	

Operating expenses performance (FY21 vs FY22)

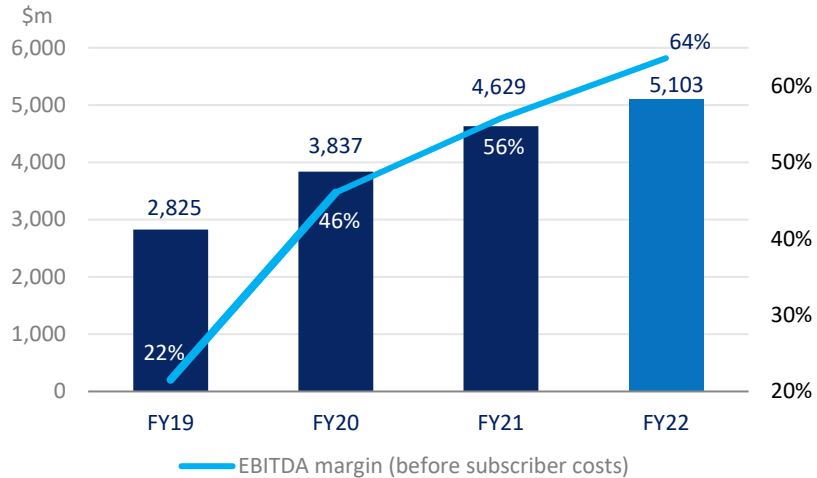


Operating expenses before subscriber costs



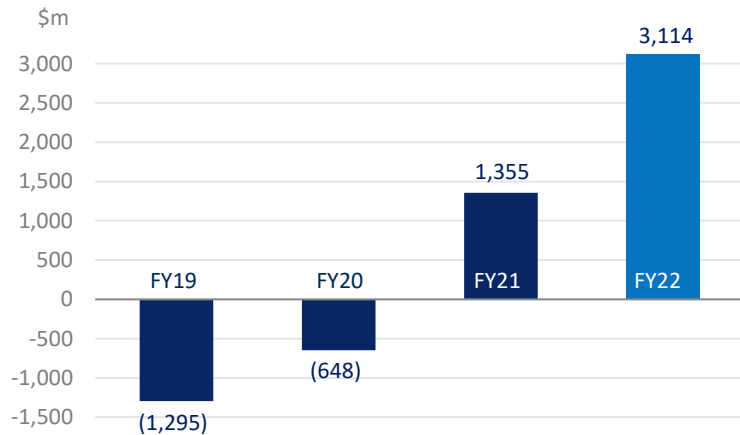
Continuing EBITDA momentum

Revenue and EBITDA margin (before subscriber costs)

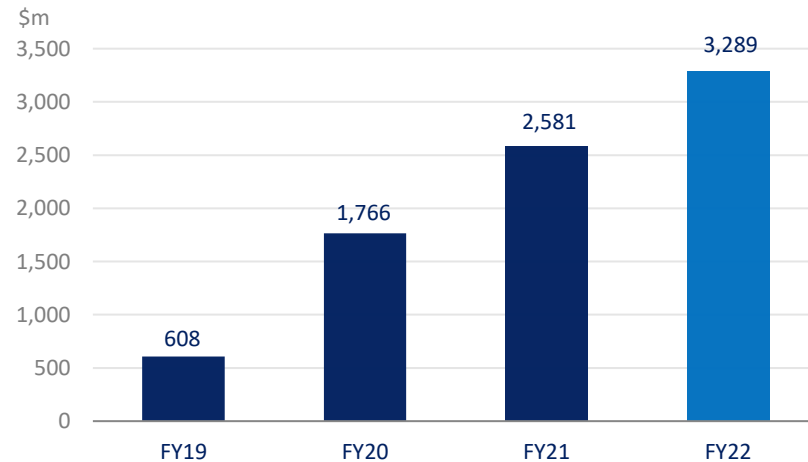


- EBITDA continues to increase due to the combination of revenue growth and declining operating cost base
- EBITDA margin (before subscriber costs) reached 64% for FY22, up from 56% in FY21
- EBITDA and EBITDA before subscriber costs are closely aligned due to the expected reduction in subscriber costs

EBITDA

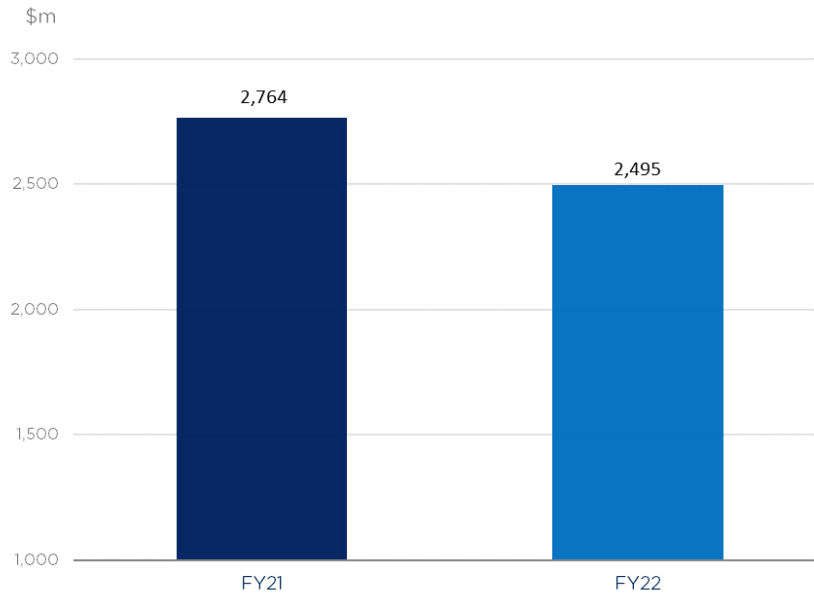


EBITDA before subscriber costs



Capital expenditure

Continuing to invest in the next evolution of the **nbn**® network



Capital expenditure in FY22 primarily relates to continued investment into the **nbn**® network on behalf of our customers, including:

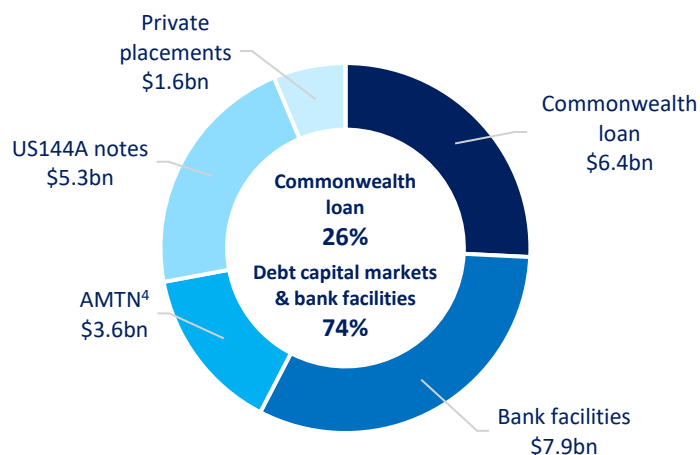
- Executing our network upgrade investments to provide more customers with access to our fastest speed tiers
- Connecting new customers and network expansion through new developments
- Capacity upgrades to cater for growing data demand
- Investing in software development and simplification to deliver efficient and secure operations

Capital summary

Diverse sources of debt provides capacity to repay Commonwealth loan, reduce cost of debt and execute network investments

Debt overview	As at	
	30 June 21	30 June 22
Group debt (\$m) ¹	23,764	24,734
Weighted average cost of drawn debt	2.79%	2.47%
Fixed interest ratio ²	88%	86%
Weighted average duration of drawn debt (years) ³	5.7	5.1
Available liquidity (\$m) ¹	3,579	2,775
Fitch/Moody's credit rating	AA/A1	AA/A1

Summary of borrowings as at 30 June 2022 (\$bn)



- Capital strategy remains focused on refinancing the Commonwealth loan by June 2024, funding network investments and maintaining a strong liquidity position
- In FY22, NBN Co successfully raised a further \$7.0bn in bank and capital markets debt, comprising:
 - Inaugural Green Australian Medium-Term Notes (AMTN) bond of \$800m
 - Further notes issuances, including: \$825m via regular AMTN issuances and US\$2bn 144A/Reg S issuances (swapped into A\$2.8bn) across 3-year, 5.25-year and 10.25-year tenors
 - \$1.4bn via private placement issuances and \$1.25bn increase in available bank debt facilities (NBN Co drew down a further \$2.0bn during FY22, with \$2.8bn in undrawn facilities available as at 30 June 2022)
- Repaid a further \$6.8bn of the Commonwealth loan, reducing the outstanding balance to \$6.4bn
- Diversified funding sources have reduced the Company's weighted average cost of drawn debt compared to prior year
- Recent interest rate rises have not had a substantial impact on the weighted average cost of debt due to NBN Co's hedging strategy with 86% of debt either fixed or hedged through interest rate swaps

1 Excluding uncommitted facilities and facilities with less than 12 months to maturity
 2 Percentage comprises fixed rate debt and floating rate debt that has been hedged and has a remaining interest period of greater than twelve months, as a proportion of total debt. Excludes forward starting interest rate swaps.
 3 Excluding the Commonwealth loan
 4 AMTN refers to Australian Medium-Term Note

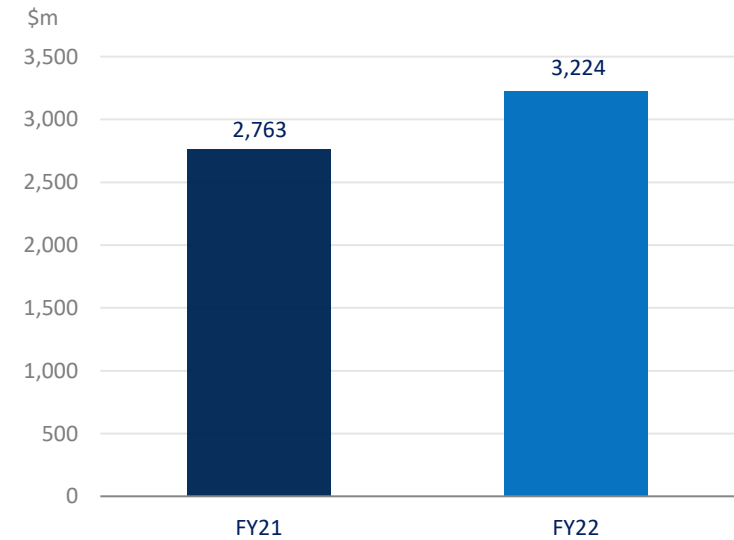


Improving cash flow performance

- Operating cash flows continue to improve due to revenue growth, declining operating expenditure and strong cash conversion
- \$480m (\$528m including GST) Government grant for the Fixed Wireless Upgrade Program during the period
- Subscriber payments continue to decline since peaking in FY20
- 77% improvement in free cash flow due to higher operating cash flows and lower capital expenditure, subscriber and interest payments, partially offset by higher lease payments

\$m	For the 12 months ended		
	30 June 21	30 June 22	% Increase/ (Decrease)
Operating cash flows ¹	2,763	3,224	17%
Commonwealth grants received	4	547	n/m
Payments for subscriber costs	(1,533)	(402)	(74%)
Capital expenditure	(3,140)	(2,618)	(17%)
Lease payments	(912)	(1,024)	12%
Interest paid on borrowings and other financial liabilities	(750)	(540)	(29%)
Free cash flow	(3,568)	(813)	77% improvement

Operating cash flows¹



¹ Excluding subscriber costs payments (ex GST) and receipts from government grants



FY22 Statutory Results

FY22 results are in line with budget and guidance targets

\$m	For the 12 months ended			
	30 June 21	30 June 22	% Movement	
Total revenue	4,629	5,103	10%	• Total revenue driven by growth in the customer base and ARPU
Operating expenses	(2,048)	(1,857)	(9%)	• Headcount reductions and administrative cost efficiencies driving decrease in operating expenditure
Operating income	-	43	n/m	• Grant income and Regional Broadband Levy recognised in the period
EBITDA before subscriber costs	2,581	3,289	27%	• Underlying EBITDA up 27%
Subscriber costs	(1,226)	(175)	(86%)	• Reduced subscriber costs due to declining connection activity
EBITDA	1,355	3,114	130%	• EBITDA result of \$3,114 million
Depreciation and amortisation expense	(3,596)	(3,541)	(2%)	• Stable depreciation and amortisation expense
Other income	24	30	25%	• Non-cash income from gifted 'pit and pipe' assets
EBIT	(2,217)	(397)	82%	• EBIT up 82%
Net finance costs	(1,621)	(1,470)	(9%)	• Reduced cost of debt due to refinancing of the Commonwealth loan with bank and capital markets debt at lower average interest rates
Tax benefit	1	399	n/m	• NBN Co is currently in a taxable loss position. Movement is due to deferred tax impact of financial derivatives
NPAT	(3,837)	(1,468)	62%	• 62% or \$2.4 billion improvement in statutory NPAT

n/m – not meaningful





Stephen Rue

Chief Executive Officer



Customer experience

76%

Premises on 50 Mbps
or higher

18%

Premises on 100 Mbps
or higher

SAU

Discussion Paper to be
released this week

Protected environment

100%

Renewable electricity
from Dec 2025

\$800m

From inaugural
Green bond

SBTi

Aligning emissions
reductions to latest
climate science



Questions

This document is provided for information purposes only. The contents, including any views expressed by NBN Co are indicative only and subject to change. This document is subject to the information classification set out on each page. If no information classification has been included, this document must be treated as 'nbn-Confidential: Commercial' and must not be disclosed other than with the consent of NBN Co. The recipient (including third parties) must make and rely on their own inquiries as to the currency, accuracy and completeness of the information contained herein and must not use this document other than with the consent of NBN Co.

© 2022 nbn co ltd. nbn, business nbn and nbn logos are trade marks of nbn co ltd | ABN 86 136 533 741

