NBN Co

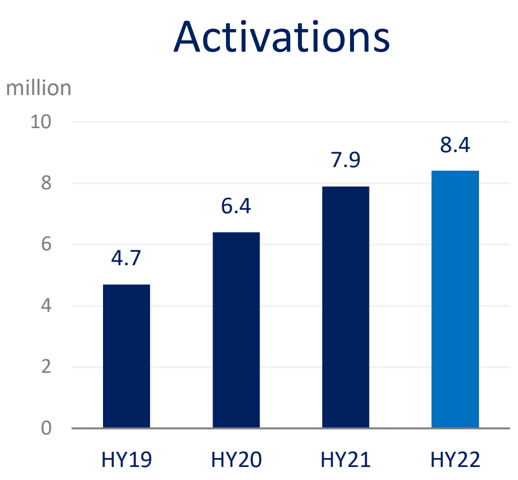
Half-Year Results
HY2022

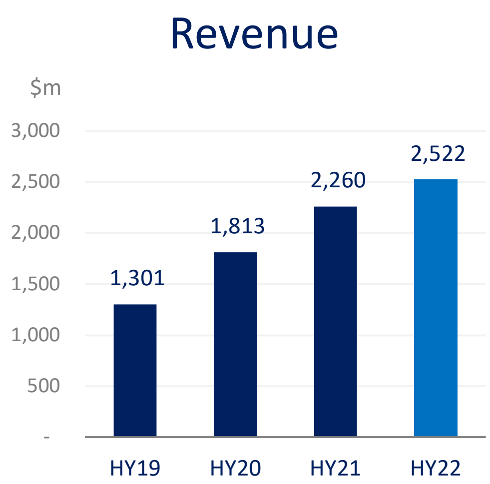
10 February 2022

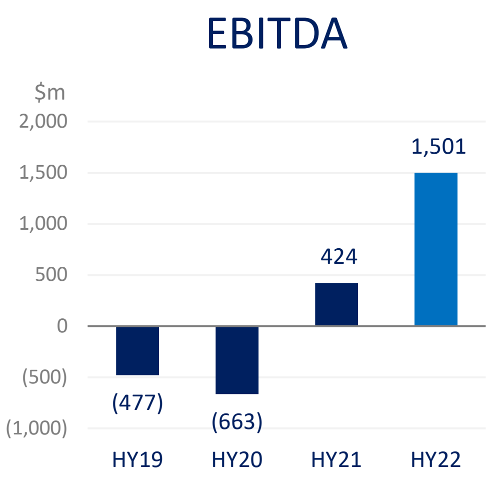
Stephen Rue

Chief Executive Officer

HY22 Highlights







76%
Of customers on a 50Mbps speed tier product or higher

$46
Residential ARPU

Up $1 from HY21

$24.7bn
Borrowings

30 June 2021: $23.8bn

Philip Knox
Chief Financial Officer

Headline Results HY22

Solid financial performance underscored by growth in revenue and EBITDA

Total revenue **$2.52bn** HY21: $2.26bn ↑ 12%	EBITDA before subscriber costs **$1.63bn** HY21: $1.23bn ↑ 32%	EBITDA **$1.5bn** HY21: $0.42bn ↑ $1.08bn improvement
Capital expenditure **$1.16bn** HY21: $1.42bn ↓ 19%	Borrowings **$24.7bn** June 21: $23.8bn ↑ 4%	Operating cash flows[1] **$1.52bn** HY21: $1.19bn ↑ 27%

[1] Excluding subscriber costs

Revenue, customer base and speed tier mix

Strong HY22 revenue performance driven by customer demand

$m	For the 6 months ended		
	31 Dec 20	31 Dec 21	% Increase/ (Decrease)
Telecommunications	2,162	2,452	13%
Other	98	70	(29%)
Total	**2,260**	**2,522**	12%
Residential ARPU ($)	$45	$46	3%
Activations (premises)	7,930,310	8,392,101	6%

- Increase in Telecommunications revenue driven by growth in the customer base and ARPU performance
- Customer take-up of higher speed tier products driving Residential ARPU growth
- 8.4 million homes and businesses now connected to the **nbn™** network

Increased take-up of faster speed tier products

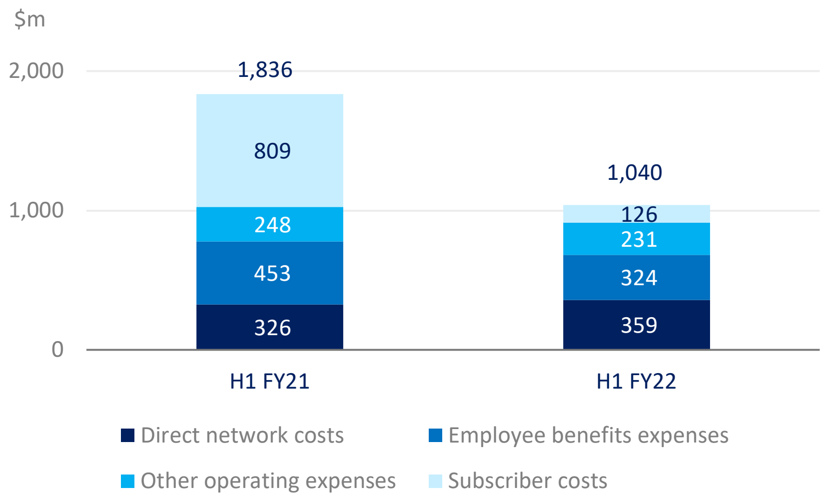
Total nbn™ network speed tiers (Mbps)			
	31 Dec 20	31 Dec 21	Percentage point Increase/ (Decrease)
Below 50/20	30%	24%	(6%)
50/20 or above	70%	76%	6%
Total	100%	100%	

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

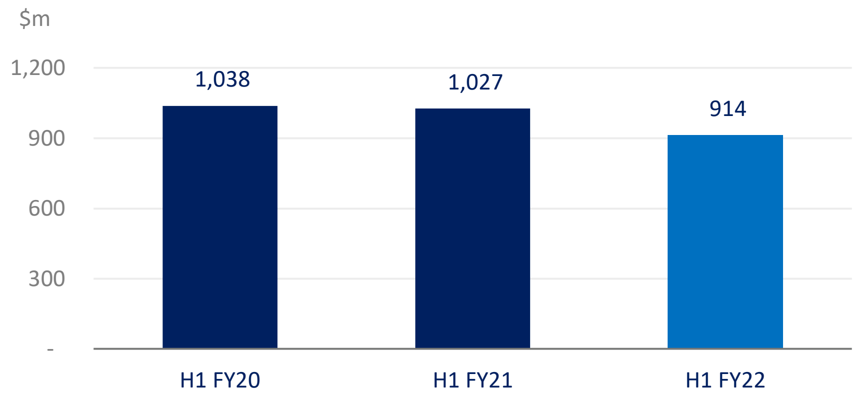
Operating expenditure continues to decline

$m	For the 6 months ended 31 Dec 20	31 Dec 21	% Increase/ (Decrease)	
Direct network costs	326	359	10%	• Increase in direct network costs due to growth in network footprint and customer base
Employee benefits expenses	453	324	(28%)	• Employee benefits expenses lower due to a progressive reduction in FTEs following initial build completion in June 2020
Other expenses	248	231	(7%)	• Cost reduction initiatives driving lower expenditure across multiple spend categories
Operating expenses	**1,027**	**914**	(11%)	• Total operating expenses decreased 11%
Subscriber costs	809	126	(84%)	• Subscriber costs continue to decline in line with customer disconnection/migration activity from legacy Telstra and Optus networks – costs to cease by FY23
Total	**1,836**	**1,040**	(43%)	

Operating expenses performance (HY21 vs HY22)

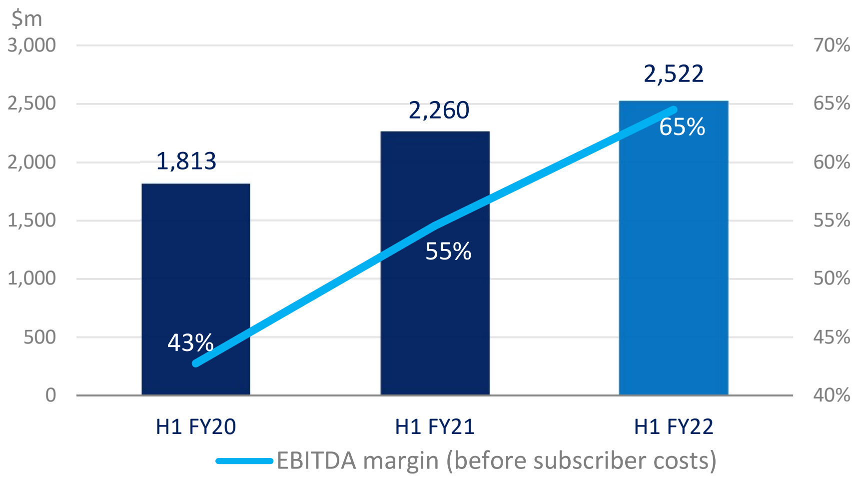


Operating expenses before subscriber costs



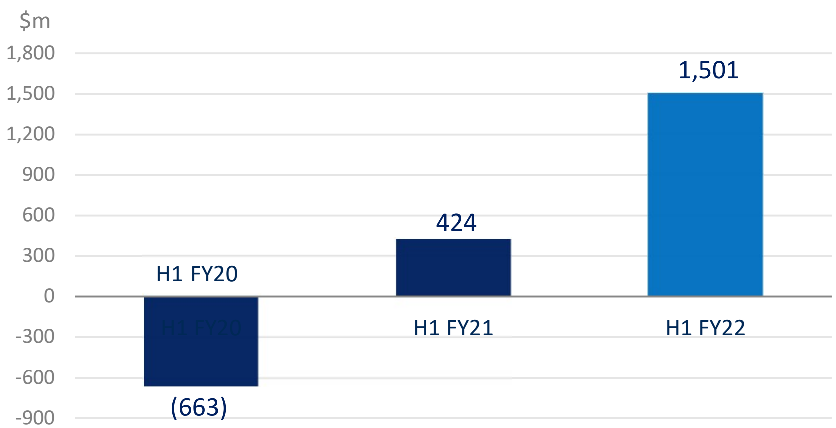
Continuing EBITDA momentum

Revenue and EBITDA margin (before subscriber costs)

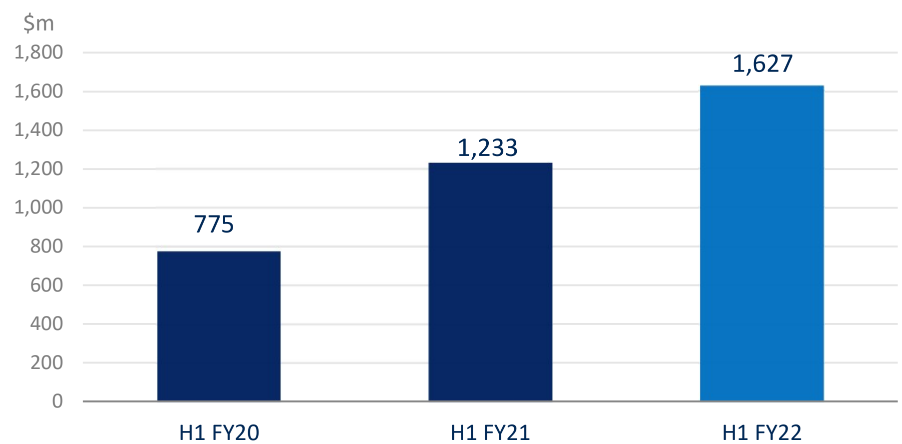


- EBITDA continues to increase with growing revenues and declining cost base
- EBITDA margin (before subscriber costs) reaches 65% for H1 FY22, up from 55% in H1 FY21

EBITDA

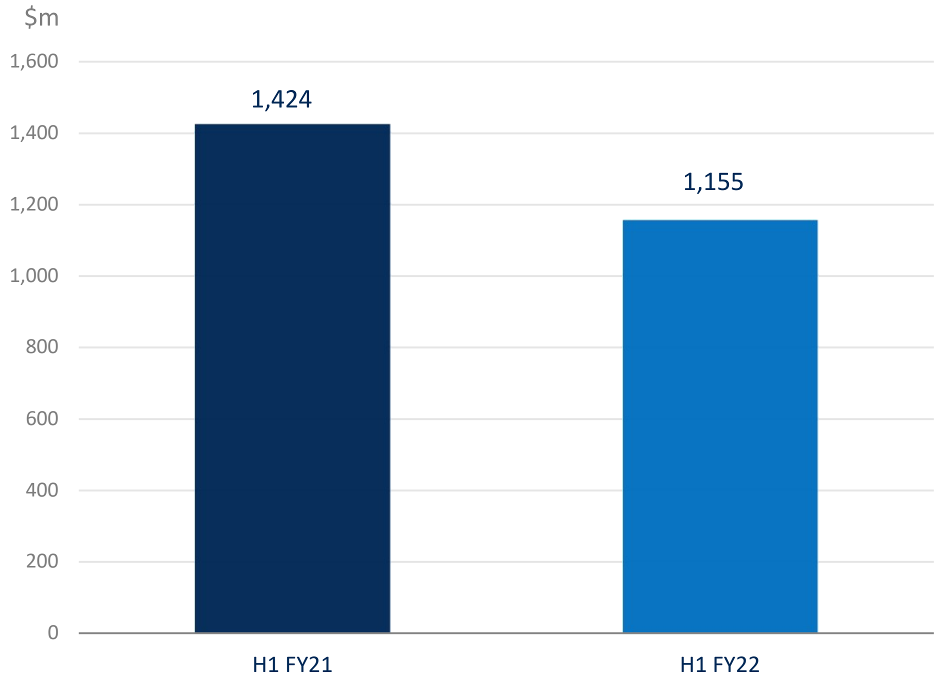


EBITDA before subscriber costs



Capital Expenditure

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



Capital expenditure in H1 FY22 primarily relates to continued investment into the **nbn™** network on behalf of our customers, including:

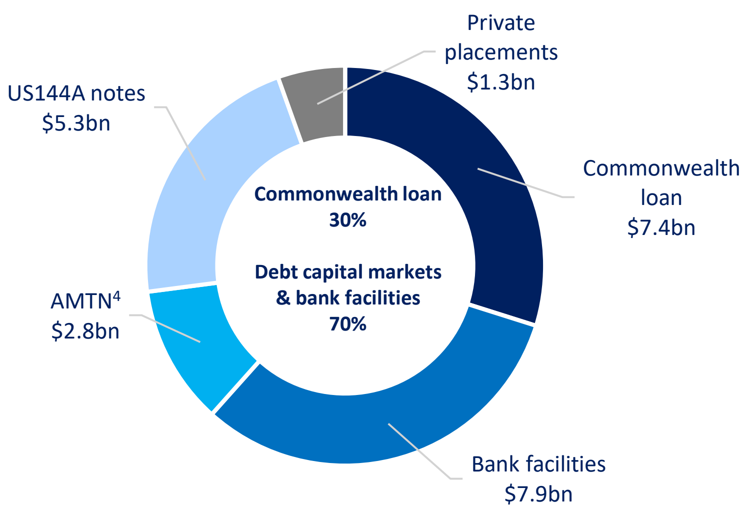
- Network upgrade investments to advance reach and capability of the network
- Connecting new customers and network expansion through new developments
- Capacity upgrades to cater for growing data demand
- Deployment of enterprise ethernet products to grow business customer base

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 Jun 21	As at 31 Dec 21
Group debt ($m) [1]	23,764	24,696
Weighted average cost of drawn debt	2.79%	2.29%
Fixed interest ratio[2]	88%	84%
Weighted average duration of drawn debt (years)[3]	5.7	5.3
Available liquidity ($m) [1]	3,579	2,450
Fitch/Moody's credit rating	AA/A1	AA/A1

Summary of borrowings as at 31 December 2021 ($bn)



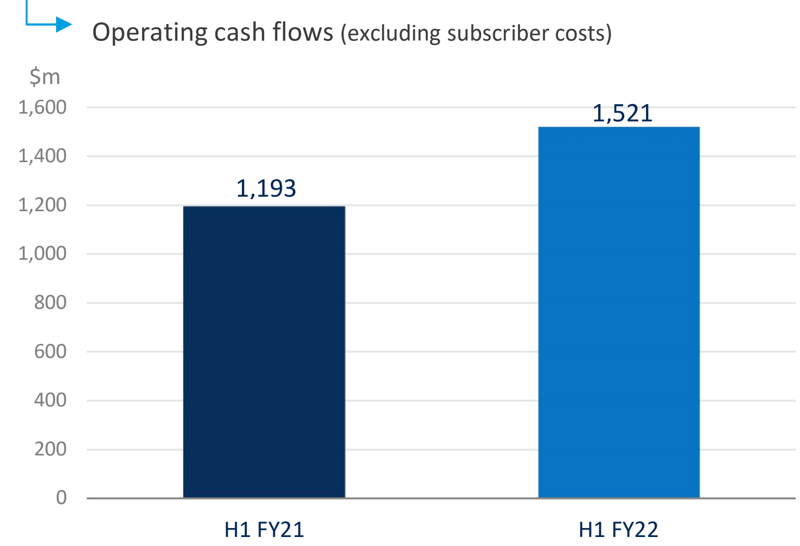
1 Excluding uncommitted facilities and facilities with less than 12 months to maturity
2 Percentage comprises fixed rate debt and floating rate debt that has been hedged and has a remaining interest period of greater than twelve months, as a proportion of total debt. Excludes forward starting interest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

- Capital strategy remains focused on refinancing the Commonwealth loan by June 2024 and maintaining a strong liquidity position
- In October 2021, Fitch affirmed NBN Co's AA rating and revised the outlook from Negative to Stable. This change followed from the upgrade of Australia's AAA sovereign rating outlook from Negative to Stable. Moody's has also affirmed NBN Co's long term issuer rating as A1 Stable.
- In H1 FY22, NBN Co successfully raised a further $5.6bn in bank and capital markets debt:
    - A $900m increase in available bank debt facilities (utilised a further $2.0bn with $2.5bn available as at 31 December 2021)
    - $825m via Australian Medium-Term Notes (AMTN) issuances
    - US$2bn 144A/Reg S issuance (swapped into A$2.8bn) across 3-year, 5.25-year and 10.25-year tenors
    - $1.1bn via private placement issuances
- Repaid a further $5.8bn of the Commonwealth loan, reducing the outstanding balance to $7.4bn
- Diversified funding sources continue to reduce the Company's weighted average cost of drawn debt

Strong cash conversion underpinning cash flow performance

- Operating cash flows continue to grow due to revenue growth, declining operating expenditure and strong cash conversion
- Subscriber payments continue to decline since peaking in FY20
- 66% 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

	For the 6 months ended		
$m	31 Dec 20	31 Dec 21	% Increase/ (Decrease)
Operating cash flows	1,193	1,521	27%
Payments for subscriber costs	(871)	(242)	(72%)
Capital expenditure	(1,930)	(1,306)	(32%)
Lease payments	(472)	(522)	11%
Interest paid on borrowings and other financial liabilities	(399)	(288)	(28%)
Free cash flow	**(2,479)**	**(837)**	66% improvement



HY22 Statutory Results

On track to deliver 2022 revenue and EBITDA guidance targets

$m	For the 6 months ended 31 Dec 20	31 Dec 21	% Movement	Commentary
Total revenue	2,260	2,522	12%	• Total revenue driven by growth in the customer base and ARPU
Operating expenses	(1,027)	(914)	(11%)	• Headcount reductions and administrative cost efficiencies driving decrease in operating expenditure
Operating income	-	19	n/m	• Grant income and Regional Broadband Levy recognised in the period
EBITDA before subscriber costs	1,233	1,627	32%	• Underlying EBITDA up 32%
Subscriber costs	(809)	(126)	(84%)	• Subscriber costs continue to decline following peak connection activity
EBITDA	424	1,501	254%	• EBITDA result of $1,501 million
Depreciation and amortisation expense	(1,720)	(1,709)	(1%)	• Depreciation and amortisation flat
Other income	13	15	15%	• Non-cash income from gifted 'pit and pipe' assets
EBIT	(1,283)	(193)	85%	• EBIT up 85%
Net finance costs	(827)	(752)	(9%)	• Reduced cost of debt due to refinancing of the Commonwealth loan with bank and capital markets debt at lower interest rates
Tax benefit /(expense)	(3)	88	n/m	
NPAT	**(2,113)**	**(857)**	59%	• 59% or $1.26 billion improvement in statutory NPAT

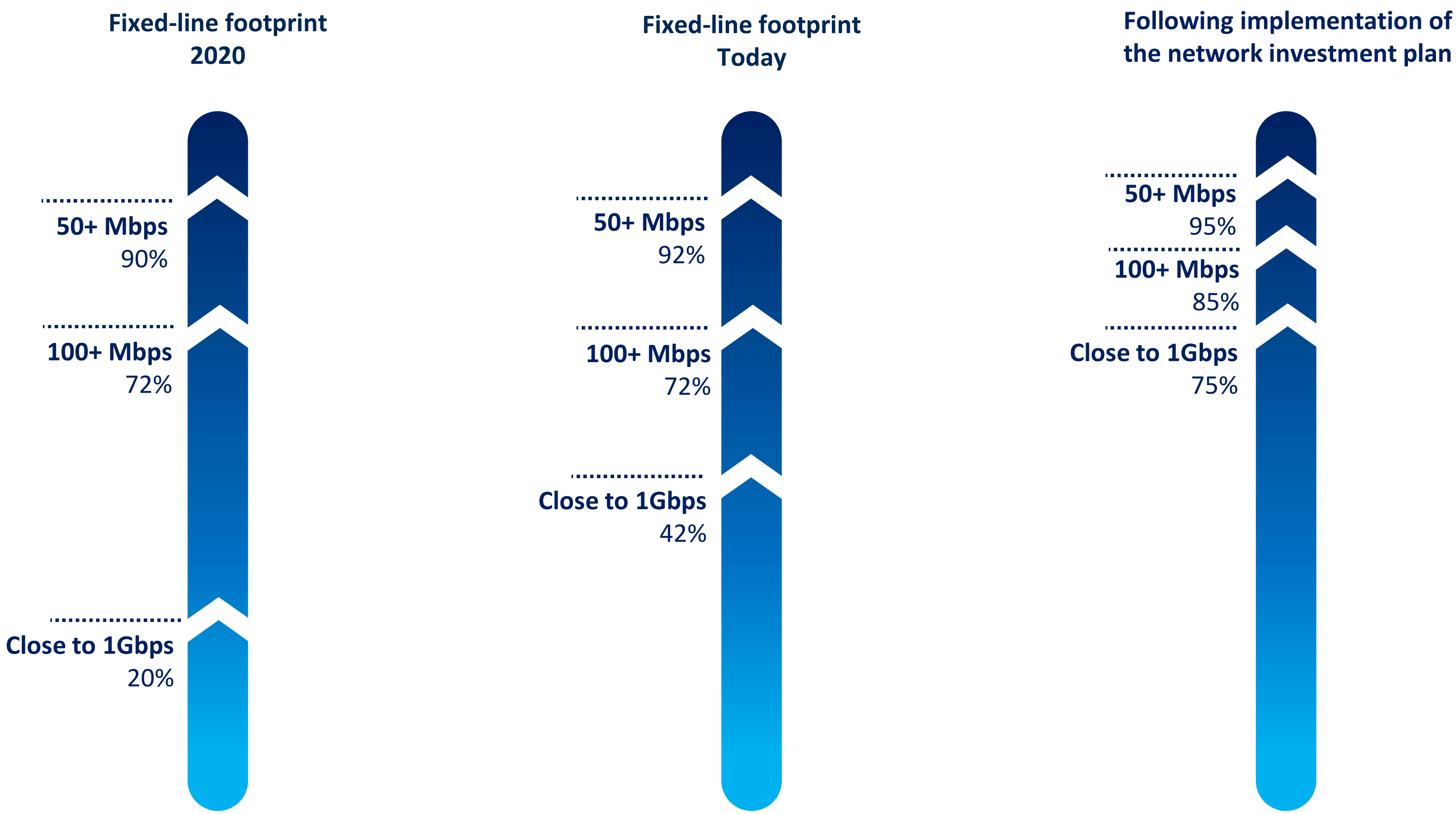
n/m – not meaningful

Stephen Rue

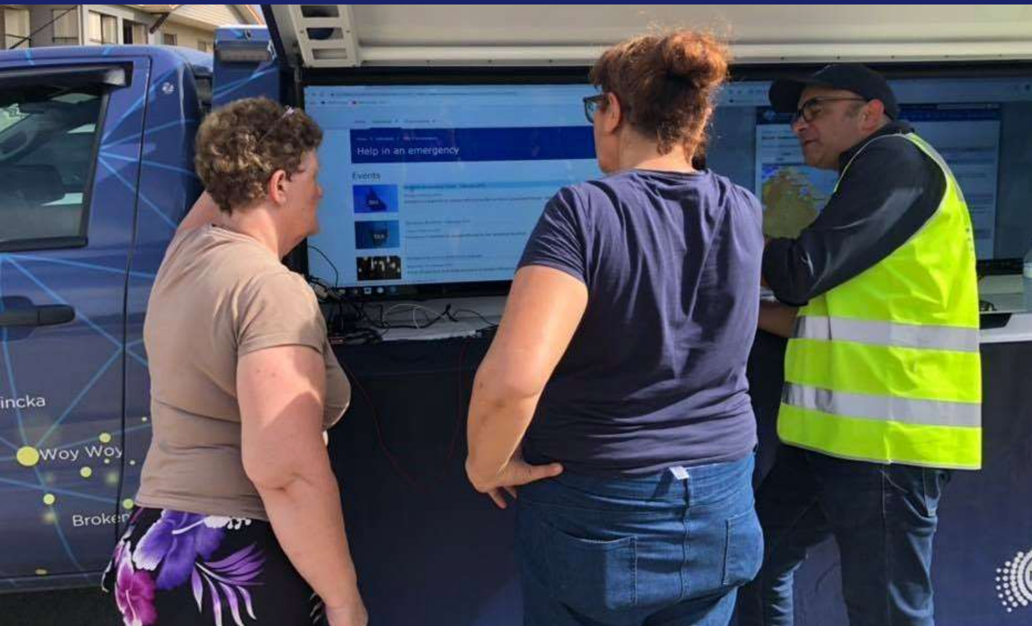
Chief Executive Officer

Total nbn™ fixed-line premises in Australia

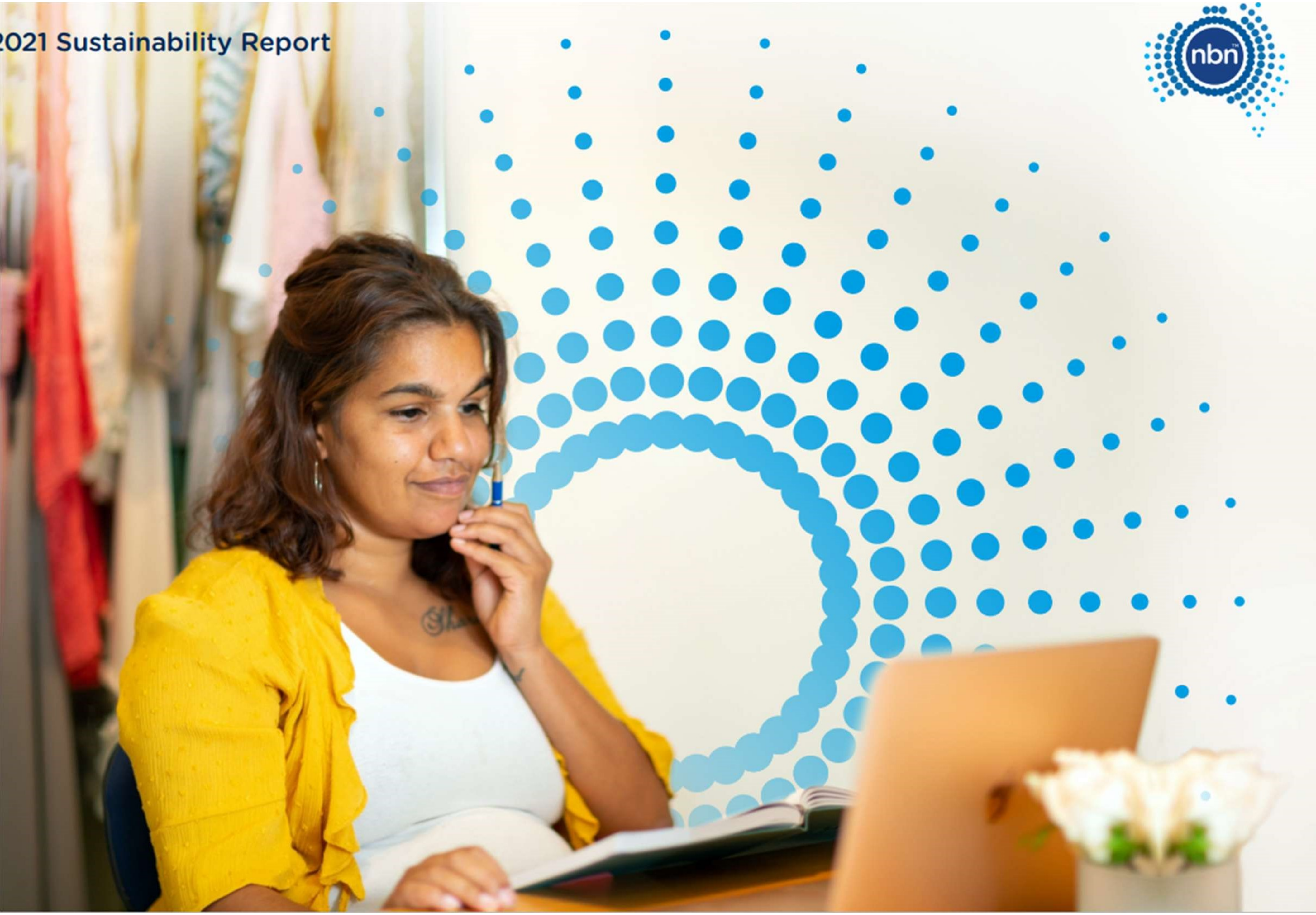
Capability



Network resilience & recovery



2021 Sustainability Report



Questions