

# ASX ANNOUNCEMENT (UWL)

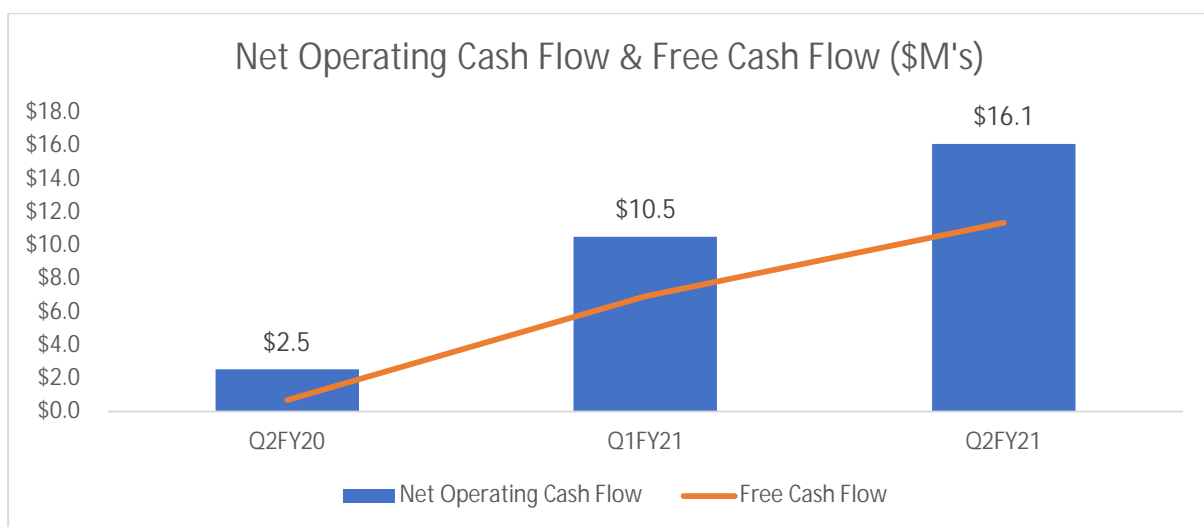
## OPERATIONAL UPDATE & FINAL APPENDIX 4C (Q2-FY21)

**Operating Cash Flow up 53% on prior quarter. Free Cash Flow up 64% on prior quarter.**

- Record Net Operating Cash Flow of \$16.1M, up 53% on prior quarter (Q1-FY21)
- 544% increase in Net Operating Cash Flow vs prior corresponding period (Q2-FY20)
- Record Free Cash Flow in Q2 of \$11.3M, up 64% on prior quarter (Q1-FY21)
- Free Cash Flow represents 70% of Net Operating Cashflow, after all capex
- Key financial performance metrics for first half of FY21 above forecast levels
- Materially above-forecast growth in net new FTTP activations in the quarter
- Completed OptiComm, HarbourISP and Telstra Velocity® acquisitions in the quarter
- OptiComm (owned for 1 month of Q2-FY21), HarbourISP (owned for 2 months of Q2-FY21), Telstra Velocity® assets (owned for 1 week of Q2-FY21)
- Integration of recent acquisitions on or ahead of schedule
- \$45M in cash reserves. Net debt ~2.2 times proforma FY21 EBITDA \$116M @ 31/12/20
- Net leverage reduced to ~2 times proforma FY21 EBITDA, following receipt of \$20M from the upsized SPP completed on 20 Jan 2021
- This is Uniti's final Appendix 4C, having filed the required 8 quarterly 4C's since IPO

**27 January 2021:** Uniti Group Limited (ASX: UWL) ("UWL", "Uniti", "Company") is pleased to provide an overview of its December quarter (Q2-FY21) cash flow and cash position, as reflected in the Appendix 4C that accompanies this announcement, including a summary of the key elements of the record Net Operating Cash Flow and Free Cash Flow performance of the Company delivered in Q2-FY21.

The chart below highlights the continuing transformation in Net Operating Cash Flow and Free Cash Flow (Net Operating Cash less Capital Expenditure) performance over the last 12 months, most notably a 544% increase in Net Operating Cash since the prior corresponding period (Q2-FY20), together with a step-change in both Net Operating Cash Flow and Free Cash Flow in the December 2020 quarter compared to the prior quarter (Q1 - September 2020), up 53% and 64% respectively.



Notably, the Q2-FY21 quarter was the first quarter in which Uniti has begun to pay income tax, having utilised all previously accumulated tax losses. This (net of a once-off dividend received in the quarter of approximately \$0.6M<sup>1</sup>) represented an approximate \$2M reduction to reported Net Operating Cash in Q2-FY21, further illustrating the scale of the quarter-on-quarter growth in positive operating cash flow, as the 53% increase in Net Operating Cash is calculated after the impact of this income tax payment.

Adjusting Net Operating Cash Flow of \$16.1M for the one-off income tax cash payment and receipt of the OptiComm dividend, Net Operating Cash Flow is greater than \$18M in Q2-FY21, a greater than 70% increase on the prior quarter.

Furthermore, Q2-FY21 included only 2 months earnings contribution from HarbourISP, 1 month from OptiComm, and 1 week from the Telstra Velocity® assets, with expectations of further strong growth in Net Operating Cash Flow and Free Cash Flow in the coming periods, when the earnings contributions from these accretive acquisitions are recognized for the full reporting period, and accompanying synergies are realised.

Uniti Managing Director and CEO, Michael Simmons, said of Uniti's performance in Q2-FY21:

*"What a remarkable quarter it was for Uniti Group, having finally secured the OptiComm business together with the HarbourISP business and the Telstra Velocity® assets, cementing Uniti's position as Australia's largest private owner-operator of greenfield FTTP networks & the pre-eminent challenger in greenfield FTTP markets. In addition to these transformative acquisitions, our exceptional Uniti team continued to deliver in terms of operating performance, evidenced by the 53% jump in Net Operating Cash over the prior quarter (and more than 70%, if adjusted for one off tax payments and dividend receipt in Q2), with only a part period contribution from our most recent acquisitions, which bodes very well for further material expansion in both Net Operating Cash Flow and Free Cash Flow over coming period."*

*With our two-year anniversary of ASX listing looming next month, the team at Uniti is most proud of the highly cash generative, privileged infrastructure business we have built over this time. Notwithstanding our continued investment in expanding our owned fibre infrastructure assets, we are generating in excess of 60% of our EBITDA as surplus cash after funding all capital expenditure."*

### **Operational Performance Highlights**

- Record Net Operating Cash Flow of \$16.1M in the December quarter, up 53% on prior quarter and more than 70% if one off tax payments and dividend receipts are adjusted.
- Record Free Cash Flow (Net Operating Cash Flow less Capital Expenditure) delivered of \$11.3M, representing 70% of Net Operating Cash Flow, illustrating the strong cash generation credentials of UWL's three business units (or 'pillars'). This represents a 64% uplift in Free Cash Flow on the prior quarter.
- These record Net Operating Cash Flow and Free Cash Flow results in the December quarter reflect only part period contributions from OptiComm (1 month), HarbourISP (2 months) and Telstra Velocity® assets (1 week).
- Growth-related capital expenditure in Wholesale and Infrastructure ("W&I") business unit was \$4.2M, predominantly attributable to the deployment of additional Fibre-to-the-Premises ("FTTP") connections in newly completed developments, in which Uniti is the exclusive FTTP network operator.

<sup>1</sup> Special dividend paid by OptiComm to its shareholders, including Uniti's 6% shareholding, immediately prior to the Implementation of the OptiComm Scheme of Arrangement.



- New FTTP connections constructed for the December quarter was ~5,300.
- OptiComm and HarbourISP acquisitions both performing above management's expectations to date.
- Strong Net Operating Cash Flow performance of the Company during the December quarter is supported by considerable growth on prior periods in all key Uniti Group operating metrics, notably revenue, gross margin, EBITDA, working capital and cash generation.
- OptiComm, HarbourISP and Telstra Velocity® assets acquisitions completed during the quarter. Uniti transformed into a large-scale "core-plus" infrastructure company, with 76% of Uniti's proforma FY21 EBITDA forecast to be generated by delivering services over its owned fibre infrastructure networks.
- W&I business unit again exceeded forecasted levels in terms of active service growth and earnings. "OptiComm" brand adopted as customer-facing brand for W&I.
- Consumer & Business (C&B) business unit delivered record net growth in new retail subscribers during the December quarter, benefiting from the additional scale and distribution reach brought by the acquisition of HarbourISP.
- Specialty Services / Platform-as-a-Service ("PaaS") business unit secured several large corporate and wholesale customer contracts in the quarter and continued the strong organic growth in its PaaS offerings and earnings on prior periods in Q2-FY21, in both its premium inbound (13/1300/1800) and SMS delivery platform services.
- Uniti ended the December quarter with \$45M in cash and net leverage of ~2.2 times proforma FY21 EBITDA of \$116M, excluding a further \$20M proceeds from the significantly over-subscribed Share Purchase Plan (SPP) received during January 2021. Net leverage reduces to ~2 times proforma FY21 EBITDA with the receipt of the SPP funds.

#### **Uniti's Final Appendix 4C**

In accordance with its obligations under the ASX Listing Rules, Uniti has released an Appendix 4C for each of the 8 quarters since its listing in February 2019. Uniti will no longer be required to provide a quarterly financial report to the market. Uniti's half year and full year financial reporting obligations will remain unaltered, each containing detailed cash flow reporting together with all other key financial reporting, governance statements and operational performance updates.

Authorised for release by the Board of Directors.

- ENDS -

For further information, contact as below:

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## ABOUT UNITI GROUP

Uniti Group (ASX: UWL) is a diversified provider of telecommunications services, with 'three pillars' of strategic growth; Wholesale & Infrastructure (W&I), Consumer & Business (C&B), formerly Consumer & Business Enablement (CBE) and Specialty Services.

Uniti Group listed on the Australian Securities Exchange in February 2019 and has a stated strategy of becoming a market-leading constructor, owner and vertically integrated operator of privileged fibre infrastructure, and a provider of value-added telecommunications services in identified profitable niche markets.

In the time since its listing, Uniti has made a number of acquisitions, each aligned to the three pillars stated above. Notably, since mid-2019 Uniti has consolidated the majority of the 'challenger' participants in the greenfield fibre broadband networks market, to make the Uniti W&I business today the definitive challenger in greenfield markets.

At the core of Uniti Group is a commitment to deliver high quality, high speed telecommunications networks and associated services to its customers, in order to produce strong and growing annuity earnings and, in turn, exceptional long term returns to its shareholders.



## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Uniti Group Limited

**ABN**

73 158 957 889

**Quarter ended ("current quarter")**

December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	38,620	58,986
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8,956)	(12,708)
(c) advertising and marketing	(296)	(474)
(d) leased assets	-	-
(e) staff costs	(6,154)	(10,091)
(f) administration and corporate costs	(5,084)	(7,363)
1.3 Dividends received (see note 3)	621	621
1.4 Interest received	89	480
1.5 Interest and other costs of finance paid	(179)	(288)
1.6 Income taxes paid	(2,697)	(2,697)
1.7 Government grants and tax incentives	117	117
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>16,081</b>	<b>26,583</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(587,044)	(619,826)
(c) property, plant and equipment	(4,739)	(8,334)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(2,614)	(3,219)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(594,397)</b>	<b>(631,379)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	50,000	168,278
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(4,427)	(7,389)
3.5 Proceeds from borrowings	305,625	305,625
3.6 Repayment of borrowings	(435)	(783)
3.7 Transaction costs related to loans and borrowings	(4,483)	(4,595)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>346,280</b>	<b>461,136</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	277,526	189,150
4.2 Net cash from / (used in) operating activities (item 1.9 above)	16,081	26,583
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(594,397)	(631,379)

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	346,280	461,136
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>45,490</b>	<b>45,490</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	44,765	20,781
5.2	Call deposits	673	255,094
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	52	1,651
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>45,490</b>	<b>277,526</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	202
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note 6.1: Relates to payments made to Non-Executive and Executive Directors for salaries and fees for the quarter.

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<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	320,000	305,625
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>320,000</b>	<b>305,625</b>
<b>7.5 Unused financing facilities available at quarter end</b>		14,375
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Loan facility is a 3 year revolver facility for \$315,000,000 with CBA and Westpac Banking Corp. There is also a \$5M Bank Guarantee facility, with the same tenure.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	16,081
8.2 Cash and cash equivalents at quarter end (item 4.6)	45,490
8.3 Unused finance facilities available at quarter end (item 7.5)	14,375
8.4 Total available funding (item 8.2 + item 8.3)	59,865
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	Cashflow positive – n/a
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	



## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 January 2021.....

Authorised by: Board of Directors.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.