

ASX Announcement

17 February 2021

Half Year Results

Aussie Broadband Limited (ASX:ABB) today announced its results for the half year ended 31 December 2020.

Highlights:

- Revenue of \$157.4 million, an increase of 89% on prior corresponding period (pcp) and 4.9% ahead of prospectus forecast
- EBITDA of \$7.3 million, an increase of 87% on pcp and ahead of forecast
- Providing 342,634 broadband connections, up 31% on June 2020 (261,361)
- Signed mobile virtual network operator (MVNO) agreement with Optus Wholesale
- Completed 79km of dark fibre construction connecting 6 data centres and 7 NBN POIs (Points of Interconnect), which represents 7% of the project and is tracking to schedule and budget
- Commenced selling broadband services on the OptiComm network
- Won Customer Service Organisation of the Year – Large Business in the Australian Service Excellence Awards

The company achieved revenue of \$157.4 million in line with prospectus forecasts and EBITDA of \$7.3 million which was ahead of prospectus forecast. EBITDA adjusted for IPO expenses for the period was \$8.4 million.

“I’m extremely proud of the half year results and the awesome work our team has done,” said Managing Director Phillip Britt.

“In a year with significant disruption to the community and many people and businesses doing it very tough, our team has managed to significantly grow our market share, maintain network performance and further improve our already great customer experience ...all during the peak of a pandemic and whilst listing the company on the ASX.

“We have continued to build out critical infrastructure for our network that will shape the quality of our service for years to come, and invested heavily in our Australian team and technology capability, including internal software enhancements and network automation.

“Without the continued dedication of our team, and their commitment to changing the telco game, these results would not have been possible.”

The company provided 342,634 broadband connections on the NBN and OptiComm networks at the end of the period. The company’s market share of NBN fixed-line and fixed-wireless technologies increased to 4.2%, compared to 2.8% in December 2019.

EBITDA was driven by customer growth in both business and residential segments, lower marketing expenses, and NBN extending COVID CVC credits and promotional rebates.

Marketing expenses for the period were \$9.7 million, 16% lower than forecast in part due to Australia Post suspending some unaddressed mail delivery during COVID-19 lockdowns. Despite the lower marketing expense, the company still exceeded its customer connection targets for the period.

Since March 2020 the industry has been receiving COVID-19 CVC relief from NBN which finished in January 2021. CVC usage remains elevated, following highs of 40% above normal patterns during the peak of COVID-19 lockdowns, with Victoria experiencing the highest traffic growth. A similar localised spike in usage was observed during the lockdown of the Sydney Northern Beaches area.

Construction on 79km of dark fibre was completed, with 68km connecting 6 data centres and 7 NBN POIs in Victoria, and 11km in New South Wales. Construction also started on a further 27km of dark fibre to connect 6 data centres and 6 NBN POIs in New South Wales, 59km to connect 2 data centres and 4 POIs in Western Australia, and a further 62km to connect an additional 7 NBN POIs in Victoria. The project is tracking to schedule and budget.

Bad and doubtful debts on residential services increased during the period (bad debt expense is \$0.5m above forecast), largely due to COVID-19 concessions provided to customers.

Services Summary

On 31 December 2020 the company was servicing 331,353 unique customers and was providing the following broadband services:

	Dec-20	Jun-20	Growth
Residential broadband	313,193	241,627	30%
Business broadband	29,441	19,734	49%
Total	342,634	261,361	31%

Product Development

Carbon Platform

In June 2020 the company launched its Carbon platform designed for businesses and managed service providers (MSPs). The platform allows businesses and MSPs to connect, customise and manage services using a fully-automated platform developed by Aussie's in-house software development team. This has reduced timelines that often used to take months to only minutes.

The company's hosted phone system offering has now been integrated into Carbon, making it available to MSP partners and direct business customers. At the end of the period, the company had signed over 300 managed service provider agreements allowing access to Carbon.

OptiComm

In August 2020 the company connected to, and started selling, broadband services on the OptiComm network which primarily services greenfield residential developments. This allows the company to attract and connect customers in new development areas which are not typically connected to the NBN.

Optus Wholesale Agreement

In December 2020 the company signed a mobile virtual network operator (MVNO) agreement with Optus Wholesale and started systems development work to integrate the Optus mobile platform into the company's automation and billing platforms. The agreement includes access to the Optus 4G and 5G networks to provide voice, mobile data, and fixed wireless broadband using the full Optus network footprint.

A new retail and business mobile offering is expected to be launched in Q4 FY2021 and the company's existing mobile customers will be offered migration from the current offering to the Optus network. The company will also market to its existing customer base to promote the new mobile offering.

Other updates

The company has signed onto NBN's "focus on fast" campaign, which will provide marketing rebates and promotional credits during the period to enable new and existing customers to trial higher speed tiers.

From December 2020, NBN increased the amount of CVC inclusions on some plans. While a welcome development, in November 2020 Aussie Broadband decided to raise some retail prices and change some customers to newer nbn plans to offset additional usage expense. The company

continues to champion the abolishment of CVC and for NBN to move to a fixed price wholesale construct based on speed tier. The company notes that NBN announced a pricing consultation on 15 February 2021 which is not proposing any changes to CVC before May 2022.

On 1 February 2021, NBN advised that it would start a stop sell on HFC orders where a premise requires a HFC NTD to be installed. This is due to a worldwide shortage of chipsets used in the manufacture of a range of devices including HFC NTDs. If this had occurred in January 2021, it would have affected 9% of Aussie Broadband orders. Increased marketing is expected to offset most of potential order decline with increased orders on other NBN technologies. NBN has advised the shortage will last “a number of months” and no further information is available at this stage.

In October 2020 Aussie Broadband was named Customer Service Organisation of the Year – Large Business in the Australian Service Excellence Awards.

Outlook

As noted by the Reserve Bank of Australia recently, a high degree of uncertainty continues to surround Australia’s economic outlook. The potential exists for further COVID-19 geographic lockdowns as outbreaks occur, with associated bandwidth usage impacting the company’s CVC and network costs. The company expects an impact from the NBN HFC stop sell which has been allowed for in the guidance below.

In addition, the company is accelerating its investment in marketing in the second half which impacts short term EBITDA but drives long term growth.

As a result, the Board provides the following updated guidance for FY2021:

	Updated Guidance for FY2021	Prospectus
Revenue	\$345 million to \$355 million	\$338.0 million
Normalised EBITDA ¹	\$13.0 million to \$15.0 million	\$12.3 million
Residential broadband ²	380,000 to 410,000	368,172
Business broadband ³	37,000 to 42,000	Not provided
Total broadband	417,000 to 452,000	Not provided

¹ Normalised EBITDA is EBITDA excluding IPO costs

² Residential broadband connections

³ Business broadband includes business, enterprise and wholesale services

ENDS

Authorised for release by the Aussie Broadband Board.

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About Aussie Broadband Limited:

Aussie Broadband is an Australian owned and operated telecommunications company that was formed in 2008 and is based in Morwell Victoria, Australia.

The company’s main focus is nbn™ (NBN) subscription plans and bundles™ to residential homes, small businesses, not-for-profits, corporate/enterprise and managed service providers.

As a licensed carrier, the company provides these services through a wholesale agreement with NBN Co, a mix of leased backhaul infrastructure from third parties and its own network equipment.

The company also offers a range of other telecommunications services including VOIP, mobile plans, entertainment bundles through its partnership with Fetch TV and connections through the OptiComm network.

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