

ASX Announcement

20 October 2021

## Aussie Broadband 1Q FY22 trading update

### Highlights:

- 1Q overall broadband connections increased 11% and business broadband connections increased 13% on the previous quarter.
- 1Q mobile services increased 15% from the previous quarter, from 25,606 to 29,447 services.
- 1Q FY22 revenue grew 11.3% quarter on quarter (QoQ)<sup>1</sup>.
- Signed strategic fibre swap agreement with VicTrack.
- Commenced connecting services for our first white label customer.
- QoQ NBN CVC charges up 137% due to lockdowns, supporting the industry's view that retailers are bearing an unfair share of the cost.

Aussie Broadband Limited (ASX:ABB) is pleased to provide the following trading update for the quarter ending 30 September 2021 (1Q FY22):

	Quarterly performance – active services						
	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	QoQ % Change	YoY % Change
Residential	286,251	313,193	339,570	363,350	396,328	9%	38%
Business	21,635	27,625	31,529	35,354	39,993	13%	85%
White label & wholesale	1,620	1,816	1,959	2,144	9,459	341%	484%
<b>Total Broadband</b>	<b>309,506</b>	<b>342,634</b>	<b>373,058</b>	<b>400,848</b>	<b>445,780</b>	<b>11%</b>	<b>44%</b>
Mobile	13,865	16,422	18,684	25,606	29,447	15%	112%
VoIP	57,793	62,634	66,098	68,162	83,371	22%	44%
Fetch	12,986	14,773	15,543	16,182	18,100	12%	39%
<b>Total Services</b>	<b>394,150</b>	<b>436,463</b>	<b>473,383</b>	<b>510,798</b>	<b>576,698</b>	<b>13%</b>	<b>46%</b>

Overall active broadband connections increased by 44,932 or 11% QoQ, business broadband connections increased by 4,639 or 13% QoQ, and mobile services increased by 3,841 or 15% QoQ.

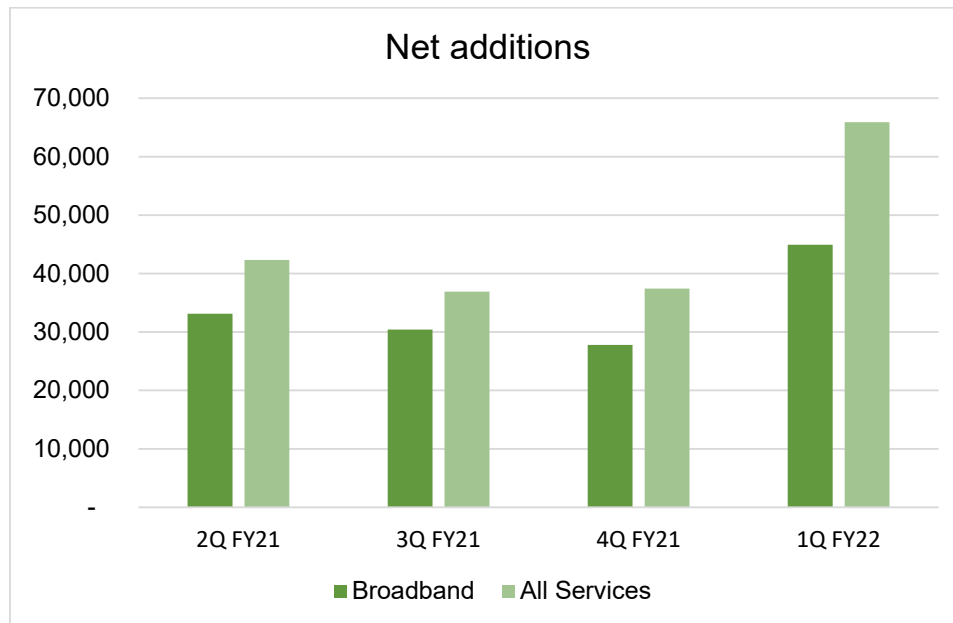
Revenue for the quarter was \$111.4 million, an increase of \$11.3 million or 11.3% QoQ<sup>1</sup>. During the quarter, first-month-free promotions on broadband and two months' free promotions for mobile services were expanded, driving new customer uptake and mobile customer migration. The gross value of promotional credits doubled QoQ.

"We're extremely pleased with performance across all segments for the quarter," said Managing Director, Phillip Britt. "Momentum with residential connections increased due to updated marketing and promotional campaigns. We are continuing to see significant demand for our services, even though the migration onto the NBN is largely complete, demonstrating the appeal for our high-quality network with award-winning customer service."

<sup>1</sup> Based on unaudited management accounts

“Our business segment has shown consistent growth and has increased by 85% in the last year. Demand has been strong around Australia, especially in regional areas. The value our regional business customers see in our offers and service quality has shown the resilience of our business when growth rates in Melbourne and Sydney have been lower during their lockdowns. We continue to expand our business product set and capabilities and, in this quarter, have added Fortinet as a key security and SD-WAN hardware vendor which will significantly increase the security products we can offer.

“The first quarter also saw the first of our white label customers connected with new services commencing on 19 July. This is an additional revenue stream, allowing other businesses to expand into telecommunications services or provide a higher quality customer experience that matches their brand promise by selling Aussie’s internet and VoIP services under their own brand. Our customer has seen increased demand for their broadband services since moving across to the Aussie Broadband network.”



### Residential update

Due to focused promotional campaigns, the company achieved 32,978 net residential broadband additions, an increase of 39% compared to the prior quarter additions of 23,780.

The majority of orders are now transfer orders where the customer is already connected to the NBN and is transferring to Aussie Broadband. These orders are processed automatically and, in most cases, don't require technician appointments, meaning they can be typically connected within minutes.

### Carbon & business update

Business broadband net additions were 4,639 and increased by 21% over the previous quarter.

NBN released new competitive pricing for Enterprise Ethernet services which is now live through Aussie Broadband's Carbon platform. The company is receiving increased customer enquiries and demand for higher speed and higher revenue business services.

Good progress was made during the period on the deployment of mobiles into Carbon, with launch expected in 2Q to Managed Service Provider and business customers.

## Mobile update

Migration from the Telstra mobile agreement to the new Optus agreement is largely complete, with around 3,000 services left to transfer. Retention of the migrated existing mobile service base has been above 90% to date, and overall feedback has been that customers have been generally happy with the Optus network performance.

Net mobile additions declined 45% over the previous quarter primarily due to some migrated customers moving away from the Optus service. We expect to see this stabilise in 2Q and then return to higher growth from 3Q.

Focus has now turned to marketing mobile products to new and existing broadband customers who presently do not have their mobile services with Aussie Broadband. This includes further enhancements to Aussie Broadband's online signup system to enable upsell to mobile as part of the new broadband signup process.

## White label update

Aussie Broadband connected 7,151 new white label broadband services to the network in the quarter. Demand for services has been higher than originally forecast and to date only new services have been connected to the Aussie Broadband network.

Migration of this white label customer's existing 32,000 services will start in 2Q with around 20,000 due to migrate during this period. The remaining 12,000 services will migrate early in 3Q.

## Aussie Fibre Project update

As a result of its partnership with VicTrack, the company has been able to increase the number of NBN Points of Interconnection (POIs) that will be connected to Aussie fibre network from 78 to 86. In addition to the POI sites, there are 21 data centre locations under build.

Construction continued throughout the quarter and 41 sites were complete as of 30 September, up from 25 on 30 June 2021. The project had been on track to deliver 49 sites by the end of September, but this was impacted by the Victorian Government locking down the construction industry, and restrictions on travelling between NSW and the ACT. These additional sites should be completed early in 2Q FY22.

Construction in Western Australia, South Australia and Queensland has continued without issue. The company remains on track to complete the overall project in FY22.

State	Sites completed	Sites under construction
VIC	18	15
NSW	13	17
ACT	0	3
QLD	0	19
SA	4	4
WA	6	8
<b>Total</b>	<b>41</b>	<b>66</b>

## Marketing update

During 1Q FY22 several marketing initiatives helped drive increased broadband and mobile service uptake. Total marketing spend for the quarter was \$7.8 million excluding promotion costs. Overall cost to acquire (CAC) including promotional costs remained in line with the company's tolerances for growth. As a result of increased customer uptake, total promotional spend increased during the quarter.

The company remains committed to strong customer and revenue growth and will continue to pursue growth opportunities, provided CAC remains within its tolerances. This will result in intra-period EBITDA sacrifice to drive higher levels of subscriber growth.

## **NBN CVC update**

CVC management during the quarter was extremely challenging due to the ongoing lockdowns in Victoria and New South Wales. National usage increased by 15% when compared to pre lockdown levels in May 2021.

Total CVC expense for the period was \$3.3 million, an increase of 137% on the previous quarter after accounting for NBN relief and increased inclusion benefits from NBN's focus on fast campaign.

During the quarter the company received rebates of \$0.8 million from NBN for increased CVC usage relating to the ongoing lockdowns.

On 1 October 2021, NBN announced further changes to the lockdown CVC rebate scheme following ongoing appeals from Aussie Broadband and the industry that the rebates provided were insufficient to cover increased usage due to lockdowns. The updated scheme will apply from 1 October 2021 and will not be backdated to prior periods.

Although NBN's new rebate proposal will provide some additional relief, this modest increase doesn't cover the true increase in costs due to lockdowns and will result in above expected CVC charges for 2Q as well. In essence, Aussie Broadband believes that retailers are bearing an unfair proportion of the COVID lockdown driven network costs, and NBN should be doing more to support Australians during this difficult period.

Early in 1Q FY22 the company migrated 51,000 broadband services onto NBN's higher speed tiers to take advantage of the increased CVC inclusions under NBN's focus on fast campaign. This action reduced the overall CVC expense for the quarter by an estimated \$1 million, and will continue to reduce overage expense during 2Q.

Had the company not proactively migrated customers under the focus on fast campaign, and had NBN not provided relief during the period, total CVC expense for the quarter would have been an estimated \$5.1 million, an increase of 264% on the previous quarter.

To be clear: Aussie Broadband believes NBN is earning additional CVC overage revenue as a direct result of the lockdowns, whilst incurring little to no incremental cost for providing this additional capacity.

## **Capital raise**

During the quarter the company raised \$114 million through an institutional placement and a further \$20 million through a Share Purchase Plan for existing shareholders. These funds will primarily be used for accretive acquisition opportunities, new business product, and/or increased technology development to improve network efficiency and fund the growth of fibre and network assets.

Aussie Broadband appreciates the ongoing support of all its shareholders.

## **Outlook**

The company expects broadband net additions of 53,000 to 60,000 for 2Q, including the migration of 20,000 white label services. It is typical to see a slow down over the Christmas period.

With lockdowns continuing in Victoria and New South Wales, the company also expects to see continued high CVC usage and associated charges from NBN unless any further relief is provided, which the company continues to lobby for. It is anticipated once lockdowns are fully lifted in Victoria and New South Wales CVC usage will return to expected levels. Over the past week since lockdowns were eased in New South Wales, a reduction in usage has been observed in that state.

Opportunities are continuing for strong broadband connection growth, and the company expects marketing and promotional costs to remain higher during 2Q and for the remainder of FY22 if these growth opportunities continue. This is being continually monitored and adjusted by the team.

The company continues to progress its M&A strategy.

All financial information included in this results update is based on management accounts, is unaudited and remains subject to further review and finalisation.

The company will hold its annual general meeting at 10:30am AEDT on Thursday 28 October 2021 via an all-virtual meeting platform due to lockdown and social distancing requirements. A notice of meeting was sent to shareholders on Tuesday 28 September 2021 with details on how to attend and vote at the virtual meeting. Enquiries can be directed to Link Market Services. Shareholders are strongly encouraged to lodge their votes by proxy ahead of the meeting.

## **ENDS**

**Authorised for release by the Aussie Broadband Board.**

**Media enquiries** contact Katrina Salhioui on 0448 110 962

**Registry queries** contact Link Market Services on 1300 554 474

**For feedback and enquiries** email [investors@team.aussiebroadband.com.au](mailto:investors@team.aussiebroadband.com.au)

## **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 and handsets, entertainment bundles through its partnership with Fetch TV and connections through its own fibre, the Opticomm network and its white label platform.