

ASX Announcement

1 February 2022

Aussie Broadband 2Q & 1H FY22 trading update

Quarterly highlights:

- 2Q overall broadband connections increased 11% and business broadband connections increased 13% on the previous quarter.
- 2Q mobile services increased 9% from the previous quarter, 29,560 to 32,207 services.
- 2Q FY22 revenue grew 11% quarter on quarter (QoQ)¹.
- Wholesale and white label services increased by 188% including 8,725 white label migrations.
- QoQ NBN CVC charges decreased by 45% over the previous quarter due to easing of lockdowns, and careful CVC management.

Half year result & full year guidance:

- Based on preliminary, unaudited management accounts the company expects half year EBITDA to be approximately \$9.1m excluding transaction costs associated with the Over the Wire (ASX:OTW) acquisition.
- Full year EBITDA guidance of \$27m to \$30m (excluding transaction costs and contribution from OTW).

Aussie Broadband Limited (ASX:ABB) is pleased to provide the following trading update for the quarter ended 31 December 2021 (2Q FY22).

| | Quarterly performance – active services | | | | | | |
|---------------------------|---|----------------|----------------|----------------|----------------|--------------|--------------|
| | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | QoQ % Change | YoY % Change |
| Residential | 313,233 | 339,668 | 363,455 | 396,452 | 422,034 | 6% | 35% |
| Business | 27,248 | 31,446 | 35,466 | 40,135 | 45,483 | 13% | 67% |
| Wholesale | 1,816 | 1,959 | 2,144 | 9,460 | 27,286 | 188% | 1403% |
| Total Broadband | 342,297 | 373,073 | 401,065 | 446,047 | 494,803 | 11% | 45% |
| Voice² | 72,044 | 76,835 | 79,982 | 84,146 | 88,204 | 5% | 22% |
| Mobile² | 18,971 | 21,587 | 25,706 | 29,560 | 32,207 | 9% | 70% |
| Fetch² | 14,788 | 15,557 | 16,196 | 18,101 | 18,489 | 2% | 25% |
| Managed | 2,664 | 2,712 | 2,695 | 2,714 | 2,743 | 1% | 3% |
| Total Services | 450,764 | 489,764 | 525,644 | 580,568 | 636,446 | 10% | 41% |

¹ Based on unaudited management accounts

² December 20 to June 21 (inclusive) services have been updated since the last quarterly update to correct errors and include all voice services

The company continues to strategically invest in growth to drive the longer-term value of the business, with an increase in broadband connections of 11% in 2Q FY22.

“We’re very pleased with how all segments have performed across the quarter, despite the Christmas period impacting residential sales slightly” said Managing Director, Phillip Britt.

“The business segment remained strong. So far in 1H FY22 we have taken 15% of all NBN enterprise ethernet net service activation orders. We continue to be excited about our Carbon platform (our self-service platform for business), it now has more than 10,000 active services and over 400 MSPs (managed service providers) onboarded.”

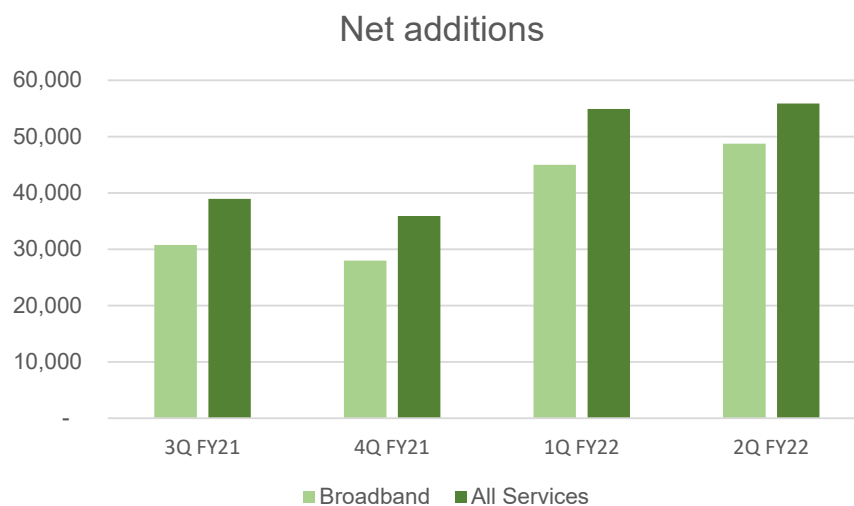
“The second quarter remained strong for new white label connections, boosted by the migration of our major white label customer’s existing services moving onto the ABB network. The organic growth of more than 9,000 new white label connections, and the migration of 8,725 existing services, increased the wholesale and white label segment which grew by 188% when compared to 1Q. The white label migration will complete in 3Q.”

“Whilst first half EBITDA has been impacted by increased promotional costs, and CVC expense due to lockdowns, we expect to see the benefits of operating leverage in 2H FY22 with employee, marketing and administration expenses expected to be lower as a percentage of revenue. The second half will also benefit from the organic connection growth achieved in the first half, additional white label migrations, and operating leverage to produce a full year EBITDA in the range \$27m to \$30m. This validates our strategy of continuing to invest in connection growth at the expense of short-term EBITDA gains.” Phil said.

Services

Total broadband connections for 2Q increased by 48,756 or 11% which was assisted by 8,725 white label connection migrations in what is a seasonally lower quarter due to Christmas. The company’s NBN market share (excluding satellite) is expected to be 5.66% at 31 December 2021, up from 5.17% at 30 September 2021.

Total services increased in 2Q by 55,878 or 10%.



Residential broadband

Net residential broadband additions for 2Q were 25,582.

Promotions continued throughout the quarter and there was a modest increase in churn during December and January as customers started to migrate off the ‘focus on fast’ promotion.

Business broadband

Business broadband net additions were 5,348 being a 13% increase over the previous quarter.

Demand for Aussie Broadband business services has continued to remain strong with ABB taking 15% of NBN enterprise ethernet service orders in FY22 year to date.

Carbon has grown from zero to 10,240 services in the past 18 months. The platform has over 400 MSPs onboarded and will continue to assist in driving growth in this segment.

The company's Carbon platform provides customers the ability to quote, order, connect, manage, and support end customer connections across a range of technologies including nbn, enterprise ethernet, voice and mobile sims. The company is continuing to develop the Carbon platform adding additional technologies and services.

Wholesale & white label broadband

Wholesale & white label net additions for 2Q were 17,826 made up of 8,725 migrated white label services in addition to net organic growth of 9,101 services during the quarter.

Further white label services will be migrated in 3Q in additional to regular white label organic growth.

The company continues to pursue further white label opportunities with new partners to drive further growth in this segment.

Mobile services -

Migrations from the Telstra mobile agreement to the new Optus agreement are now complete.

Mobile net additions for 2Q were 2,647 or 31% lower than in 1Q due to a combination of factors including limited availability of mobile handset options, some loss of services due to coverage following the migration to the Optus network, and delays in providing the ability for customers to sign up online for mobile services.

Online mobile sign up was introduced in early December for residential customers, and MSP customers are now able to purchase mobile SIMs through Carbon which has led to an increase in business mobile sales.

Limited handset availability (due to global chip shortages) has hindered growth in mobile services. The team is presently working to expand the handset range available to Aussie customers.

We continue to see mobile as a growth opportunity and are repositioning our offers in market to increase growth in 2H.

Aussie Fibre Project update

Construction continued throughout the quarter and 63 sites were complete at 31 December 2021, up from 41 at 30 September 2021.

| State | Sites completed | Sites under construction |
|--------------|-----------------|--------------------------|
| VIC | 22 | 11 |
| NSW | 15 | 15 |
| ACT | 2 | 1 |
| QLD | 9 | 10 |
| SA | 7 | 1 |
| WA | 8 | 6 |
| Total | 63 | 44 |

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The company expects that a further 34 sites will be completed in 3Q, and the remaining 10 sites to be completed in 4Q FY22.

The migration off existing Telstra backhaul agreements onto the Aussie fibre network has commenced and the company will start to unlock operational savings from March 2022 onwards.

The project remains on time and on budget and will be complete in FY22.

NBN CVC update

2Q saw an easing of the CVC challenges experienced in 1Q, with lockdowns removed in late October and early November, although some benefit continued from the 51,000 customers proactively migrated to NBN higher speed tiers at the start of the financial year. These benefits will end in January 2022, and the impact will be determined by the proportion of those customers who elect to remain on the higher speed plans.

Total CVC expense for the quarter was \$1.8 million, a decrease of 45% on the previous quarter after accounting for NBN relief (\$0.2m) and increased inclusion benefits from migrated customers (\$1.0m).

NBN future pricing model

We are actively engaged with both NBN and ACCC regarding the future of NBN's pricing model. While NBN's current proposal has some positive elements, particularly the move to access only pricing for some speed tiers, products such as the 50/20 tier (which accounts for the majority of customers) are still not priced sustainably for RSPs and consumers. In addition, the unknown timeline for the introduction of NBN's new pricing adds significant risk in the short to medium term for retail providers. We will continue working with the industry toward a fairer and more sustainable pricing model for all Australians.

Indicative Financial Performance for 1H FY22¹

Set out below is a summary of the financial performance of ABB for 1H FY22 based on unaudited management accounts.

| | 1H FY22 | 1H FY21 | HoH |
|--|------------|------------|-----------|
| | \$m | \$m | Change % |
| Gross revenue | 237.3 | 159.6 | 49% |
| Customer promotion discounts | (8.0) | (2.2) | 268% |
| Statutory revenue | 229.3 | 157.4 | 46% |
| Marketing expenses | (16.4) | (9.7) | 69% |
| EBITDA before transaction costs | 9.1 | 8.5 | 7% |

Revenue for the half has increased by \$36.7m over the 2H FY21 (19%).

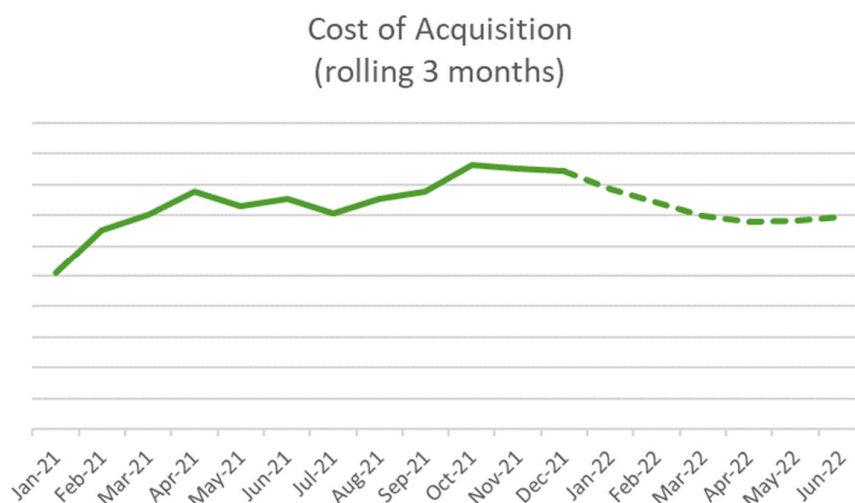
The company continues to invest in a measured way to grow customer numbers, with a consequential impact on EBITDA. Promotions were used extensively in 1H FY22 compared to 1H FY21 to encourage customers already on the NBN to switch to Aussie Broadband. Overall promotion costs include promotions offered to transitioning mobile customers and offers to new mobile customers.

Marketing expense as a percentage of revenue increased to 12.6% in 1H FY22 compared to 11.9% in 1H FY21. It is anticipated that this will reduce in 2H FY22 with similar absolute costs to 1H FY22 leading to stronger margins.

¹ Based on unaudited management accounts

As previously reported, cost of acquisition rose during 1H FY22 with increased use of promotions and free month offers on both broadband and mobile services. This yielded positive volume outcomes and produced a range of learnings which will be used to optimise our marketing efforts in 2H FY22, and lead to more targeted promotions.

The chart below represents cost of acquisition (excluding white label and including promotion costs) over the last 12 months and our estimate for the next 6 months.



Additional detail and the full 1H FY22 results will be provided to the market on 21 February 2022.

Over The Wire acquisition

On 2 December 2021, ABB announced that it had entered a Scheme Implementation Deed (**SID**) with Over the Wire Holdings Limited (ASX: OTW) under which it is proposed that ABB will acquire 100% of the share capital in OTW. The scheme booklet has been lodged with and approved by ASIC, authorised by the Federal Court and has been despatched to OTW shareholders. The Scheme meeting is scheduled to be held on 24 February 2022 and the Scheme is expected to be implemented following Federal Court approval in March 2022.

Outlook

The company expects broadband net additions of 85,000 to 95,000 for 2H FY22, including the migration of white label services, with total active broadband connections at 30 June 2022 to be in the range of 580,000 to 590,000. Naturally this is dependent on ABB's marketing activities and the relative competitive environment through the period. An update to these figures will be provided in the 3Q update, expected to be released in late April 2022.

The company expects full year EBITDA (before transaction costs and excluding any contribution from OTW) to be in the range of \$27m to \$30m. Expected 2H FY22 performance will be driven by:

- Comparable marketing costs but with the benefit of a full half of revenue from 1H FY22 acquired customers;
- Employee and administration costs being lower as a percentage of revenue in 2H FY22;
- Continued growth in connections and other services;
- No further lockdowns leading to increased CVC usage;
- Completion of the white label connection migrations.

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 release its half year results on 21 February 2022 and details of a shareholder call will be announced closer to the date.

Shareholder briefing

A shareholder briefing regarding 1H FY22 unaudited results will be held by Managing Director Phillip Britt, and Chief Financial Officer Brian Maher at 12 noon Melbourne time on Wednesday 2 February 2022. Shareholders will be able listen to the briefing and ask questions via the phone.

To pre-register for the call and avoid a queue please:

- Use this link – [ABB Quarterly Update call registration](#)
- Use the unique pin number and contact details provided to access the call

If you are unable to pre-register:

- dial one of these numbers at the time of the conference:
 - Aus Toll Free: 1800 809 971
 - Backup Aus Toll Free: 1800 558 698
 - Local: +61 2 9007 3187
- provide the conference ID 10019270 to the operator to register and enter the conference

ENDS

Authorised for release by the Aussie Broadband Board.

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For feedback and enquiries email 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.