

# 1 H FY22 Results Presentation

21 February 2022

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**Aussie  
Broadband**

*Bloody Good Broadband*



# Company highlights

## 1H FY22

For internal use only



New office & call centre in Burswood WA, opened July 2021.



# Highlights

**\$229.3m**

Revenue

↑46%

(\$157.4m 1H FY21)



**\$9.1m**

EBITDA before  
transaction  
costs

↑7%

(\$8.5m 1H FY21)



**494,803**

Total  
broadband  
services

↑45%

(342,297 as at 31 December 2020)



**5.66%**

NBN broadband  
market share  
(excluding satellite),  
up from 4.23% in  
December 2020



**32,207**

Mobile services

↑70%

(18,971 as at 31 December 2020)



**45,483**

Business  
broadband  
services

↑67%

(27,248 as at 31 December 2020)



# Highlights



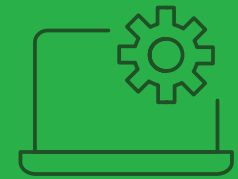
## ASEA award winner

Customer Service  
Organisation of the  
year – Large 2020 & 2021



## Successful capital raise

\$134m (less costs)



## First round of white label migrations complete

8,725 services migrated  
in 1H FY22, remainder of  
services will be migrated  
in 3Q FY22

8.2/10

## Customer satisfaction

As measured by voice of customer surveys



63

NBN POIs &  
data centres  
connected to Aussie Fibre



29%

## Staff increase to 733

(568 at 31 December 2020)



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# Operational performance



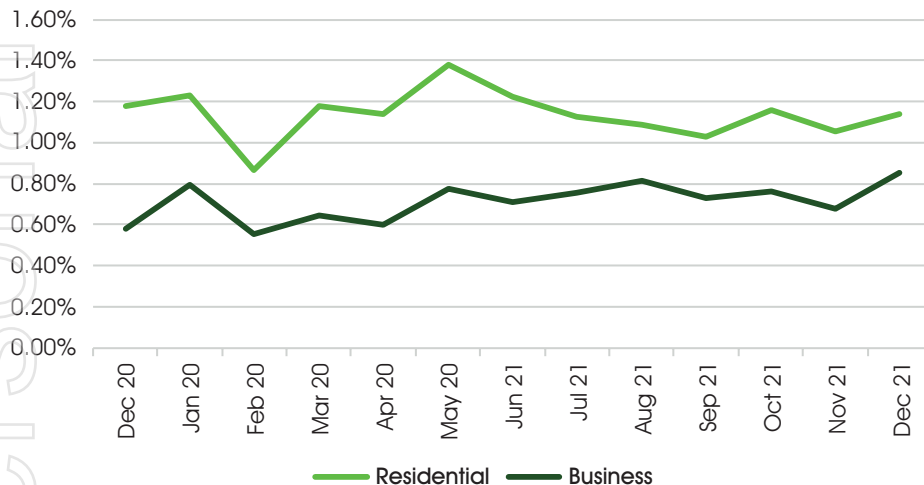
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# Broadband services

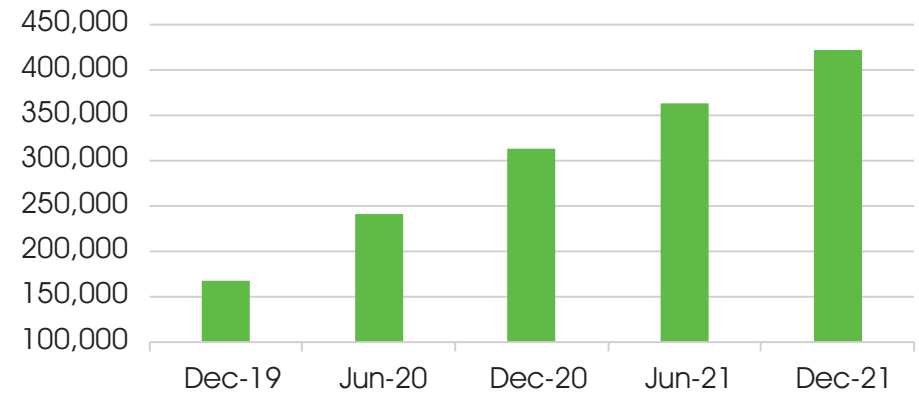
## Consistent growth in residential & business, strong growth in wholesale & white label

- 5.66% NBN Broadband market share (excluding satellite technology, up from 4.23% at December 20).
- 58,579 net additions in residential broadband for 1H FY22.
- 10,017 net additions in business broadband for 1H FY22.
- 25,142 net additions in wholesale & white label broadband for 1H FY22 including 8,725 migrated white label services.
- Customer churn remains stable with occasional spikes due to promotions ending (focus on fast, \$X off for 6 months etc).

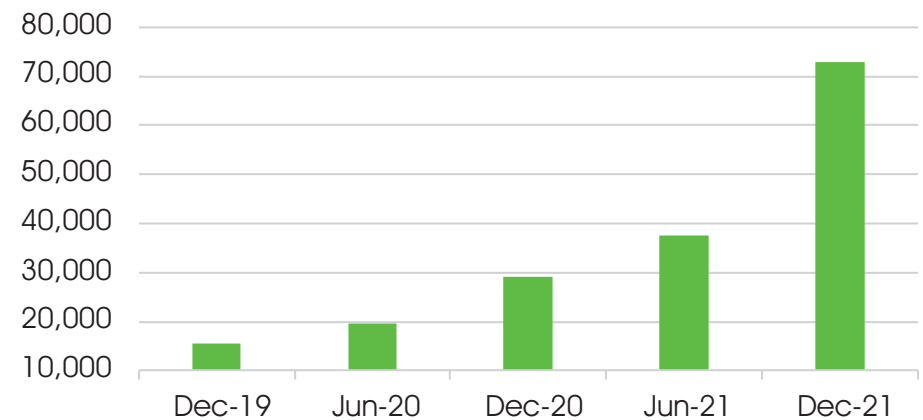
### Customer Churn



### Residential broadband



### Business, wholesale & white label broadband

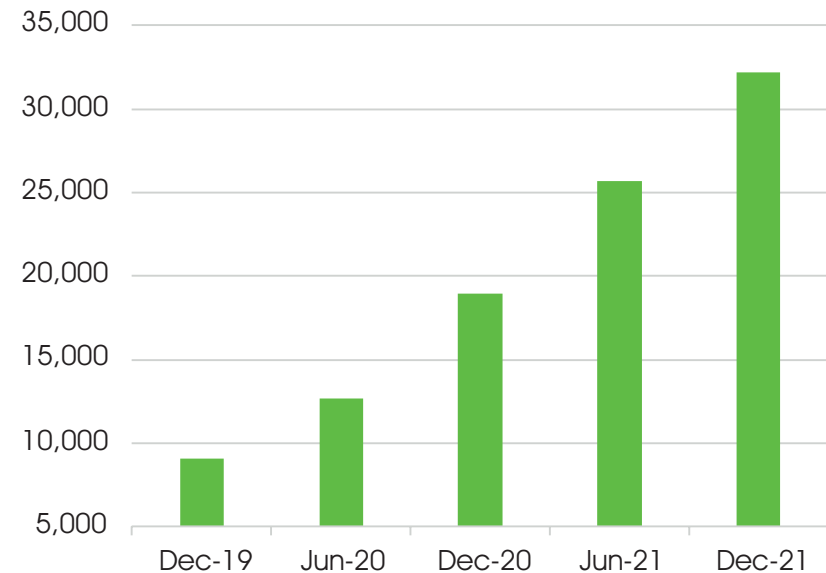


# Mobile services

## Delivered consistent half on half growth whilst migrating existing mobile customers to the Optus network

- Completed migration to the Optus network in 1H FY22 with the majority of existing customers retained.
- Online signup for mobile services was introduced in December 2021 for residential and Carbon MSP (Managed Service Provider) customers 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.

Mobile services



# Voice & Fetch services

## Voice growth has been steady during the half

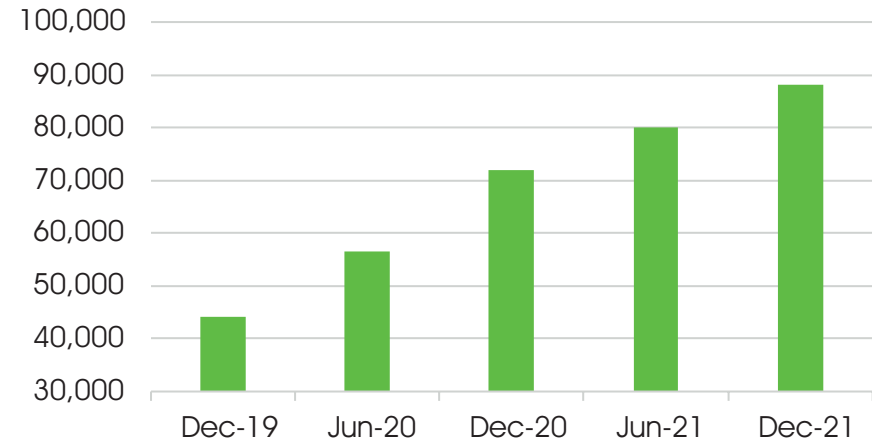
- 8,222 net voice additions 1H FY22 split evenly between the quarters.
- Stronger voice growth in the business segment as more customers take up hosted phone system solutions.
- Seeing a move to mobile rather than traditional voice services when customers churn their NBN to a new provider like Aussie. This causes them to reconsider the need for fixed line voice.

## FetchTV growth slowing as more streaming services enter market

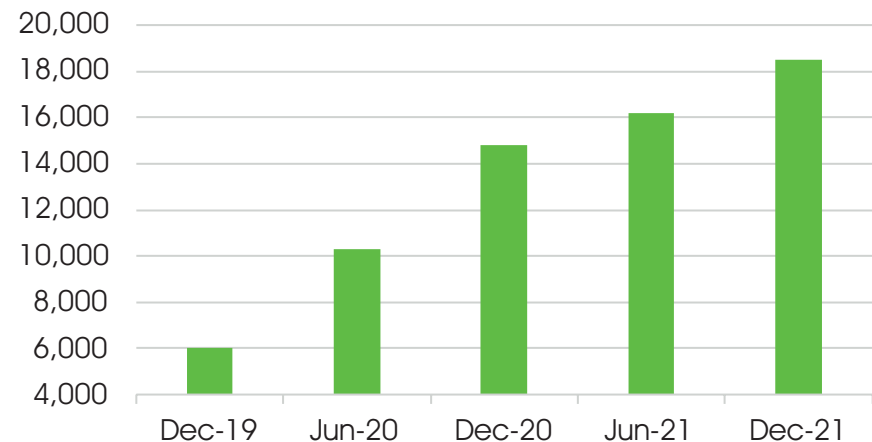
- 2,293 net FetchTV additions 1H FY22 with slowing uptake in 2Q FY22.
- Increased streaming options like Disney+ have entered the market with many of these new additions not available on the Fetch platform.
- Smart TVs are increasingly including streaming applications as part of their software removing the need for an additional box.

fetch

Voice services



Fetch services



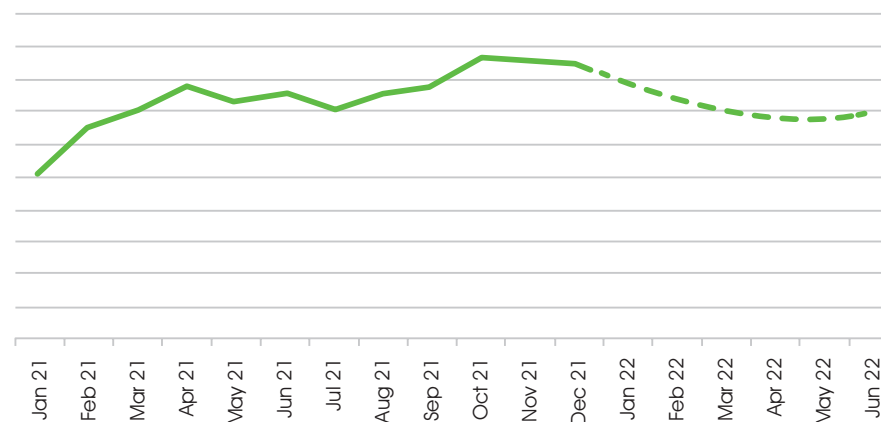


# Marketing & promotions

## Maintained marketing spend with increased use of promotions to drive broadband growth, mobile retention

- Marketing expense for 1H FY22 was \$16.4m, down \$0.2m compared 2H FY21 (\$16.6m), and up \$6.7m (69%) compared to 1H FY21.
- Promotional discounts for 1H FY22 were \$8.0m, up \$4.5m compared to 2H FY21 (\$3.5m), and up \$5.5m compared to 1H FY21 (\$2.5m).
- Provided 2 months free to all existing ABB mobile customers transitioning from the Telstra to Optus networks and ran a 2 months free campaign for customers looking to move their mobiles from other providers.
- Transitioned from offering \$X off for 6 months (\$10 off, \$20 off) to providing first month free which incurs all of the promotional cost up front.

**Cost of Acquisition  
(rolling 3 months)**



# Customer & team



4.5/5 from 6314 reviews on



4.3/5 from 2719 reviews on

facebook



4.8/5 from 2046 reviews on



# ESG

- Aussie Broadband is on track to become a Certified B Corporation, as part of our goal to benchmark ourselves and improve in ESG (environmental, social, governance) practice.
- We selected B-Corp as our preferred platform because of its fit with our preference for simplicity and transparency.
- B-Corps are companies that meet high standards of social and environmental performance, accountability and transparency.
- We have made our first submission for assessment, meeting the initial threshold to progress further.
- We expect assessment to be complete in the next 6-9 months.



# Financial Results 1H FY22



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# Financial performance

	1H FY22	1H FY21	Movement
	\$m	\$m	
Gross Revenue	237.3	159.9	49%
Promotion Discounts	(8.0)	(2.5)	222%
Reported Revenue	229.3	157.4	46%
Network and hardware expenses	(167.4)	(115.4)	45%
<b>Gross Margin</b>	<b>61.9</b>	<b>42.0</b>	<b>47%</b>
<b>GM%</b>	<b>27%</b>	<b>26%</b>	<b>1%</b>
Marketing expenses	(16.4)	(9.7)	69%
Employee and administration expenses	(36.4)	(23.8)	53%
<b>EBITDA before transaction costs</b>	<b>9.1</b>	<b>8.5</b>	<b>7%</b>
IPO/OTW costs	(1.0)	(1.2)	(16%)
<b>EBITDA after transaction costs</b>	<b>8.1</b>	<b>7.3</b>	<b>10%</b>
Depreciation & Amortisation	(6.3)	(3.6)	77%
Net interest expense	(0.4)	(1.9)	(80%)
Change in fair value of derivative	-	(12.3)	(100%)
<b>Net profit/(loss) before tax</b>	<b>1.4</b>	<b>(10.5)</b>	<b>(113%)</b>
Tax	0.0	-	-
<b>Net profit/(loss) after tax</b>	<b>1.4</b>	<b>(10.5)</b>	<b>(113%)</b>

- Revenue growth driven by organic volume growth enhanced by new white label contract.
- Gross margin held up well despite impact of lockdowns in 1Q.
- Marketing investment continued at the 2H FY21 run rate but significantly higher than prior corresponding period.
- Employee and admin costs increasing broadly with revenue.
- Depreciation and amortisation increasing with investment in network including fibre roll out.

# Financial position

	Dec-21	Jun-21	Movement
	\$m	\$m	
Cash and cash equivalents	168.2	57.0	195%
Trade and other receivables	23.3	16.9	38%
Other current assets	8.1	7.6	7%
Property, Plant and Equipment	40.4	17.4	132%
Right of use assets	31.2	12.3	154%
Intangibles and financial assets	5.8	5.7	2%
<b>Total assets</b>	<b>277.0</b>	<b>116.9</b>	<b>137%</b>
Trade payables and other trade liabilities	52.3	43.3	21%
Lease liabilities	29.2	10.6	175%
Employee benefit liabilities	4.5	3.5	29%
<b>Total liabilities</b>	<b>86.0</b>	<b>57.4</b>	<b>50%</b>
<b>Net assets</b>	<b>191.0</b>	<b>59.5</b>	<b>221%</b>

- Cash boosted by Share Placement and Share Purchase Plan.
- Trade debtors increased by less than revenue.
- PPE increasing as fibre network rolled out.
- Increased lease liabilities with network equipment and 2 new office locations.

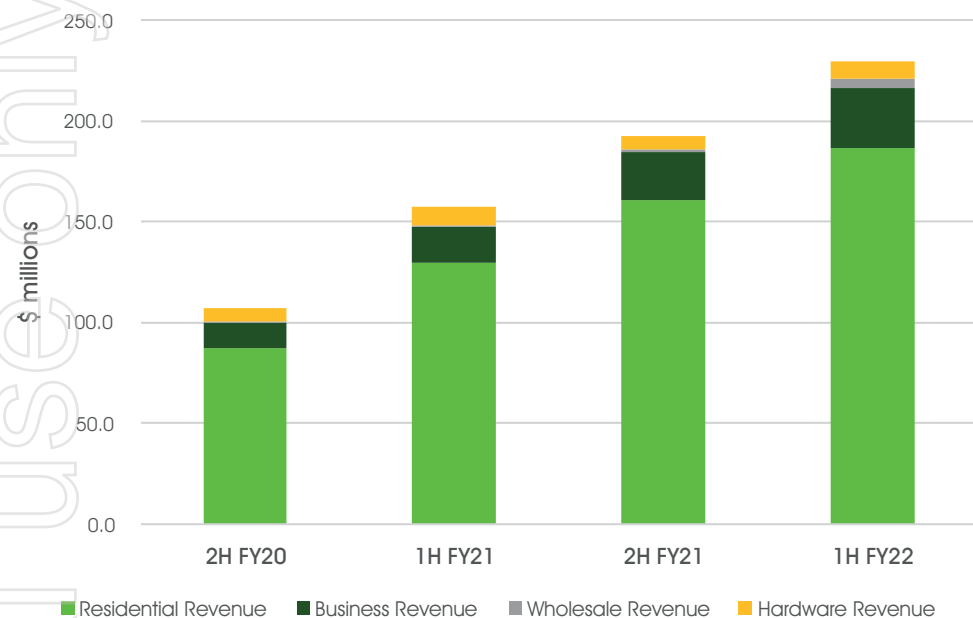
# Cash flow

	1H FY22	1H FY21	Movement
	\$m	\$m	
Receipts from customers	249.1	171.5	45%
Payments to supplier and employees	(237.8)	(162.5)	46%
Net interest payments	-	(0.2)	(100%)
<b>Operating cash flows</b>	<b>11.3</b>	<b>8.8</b>	<b>28%</b>
Payment for PPE	(24.8)	(8.1)	208%
Payment for Intangibles	(0.1)	(1.4)	(93%)
<b>Investing cash flows</b>	<b>(24.9)</b>	<b>(9.5)</b>	<b>162%</b>
Net equity proceeds	129.6	37.4	246%
Lease payments	(5.0)	(2.7)	85%
Repayment of debt	-	(5.0)	(100%)
Other	0.2	-	-
<b>Financing Cash flows</b>	<b>124.8</b>	<b>29.7</b>	<b>320%</b>
<b>Net increase in cash</b>	<b>111.2</b>	<b>29.0</b>	<b>283%</b>

- Customer receipts and supplier / employee payments broadly consistent with financial performance.
- Strong correlation between EBITDA and operating cash flows.
- PPE spend inflated by fibre roll out.
- Equity proceeds from Share Placement (\$114m gross) and the Share Purchase plan (\$20m gross).

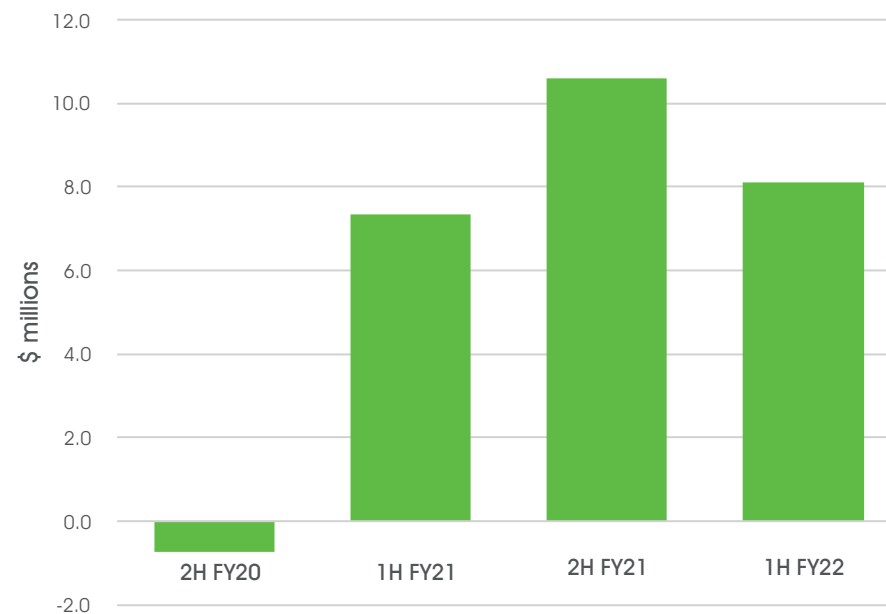
# Historical financial performance

Revenue Growth



- Residential revenue (excluding hardware) has increased by 44% v pcp.
- Business revenue (excluding hardware) has increased by 68% v pcp.
- Wholesale revenue has been separately disclosed for the first time due to the commencement of the first white label customer.
- Hardware revenue has fallen by 7% due to the lower proportion of new business being first time NBN connects.

EBITDA



- EBITDA 7% higher than prior corresponding period but 15% lower than 2H FY21.
- Half impacted by lockdowns between July and October driving higher CVC and other network costs.
- Increased use of promotions and free month offers for broadband and mobile specifically impacted short term EBITDA but fueled better than expected volume growth.



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# Looking ahead



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# Completing the fibre build

## We will complete the fibre build this financial year

- 63 sites were complete at 31 December 2021.
- 75 sites are now complete.
- 21 additional sites are expected to complete by 30 March 2022 and the remaining 16 sites by 30 June 2022.
- 31 POIs have been transferred over to the ABB fibre network and savings for these POIs will be realised from 1 March 2022 onwards. The remaining POIs will be progressively transferred over and completion is expected by the end of FY22.
- Over 1,200km of Aussie Broadband owned fibre will be in the ground on completion.
- 86 NBN POIs and 21 data centres will be connected to Aussie Broadband owned, swapped or leased dark fibre lit at multiple 100G. Remaining 35 POIs connected via 100G wavelengths.
- Fully protected and diverse network to all NBN POIs and data centres.



“The acquisition of **Over the Wire** if completed will add significant product and skill capability, and will accelerate growth in our business and wholesale segments”

Phillip Britt, Managing Director



# About Over The Wire

High margin telecommunications and IT solutions provider offering voice, data networks and cloud infrastructure with contracted revenue.

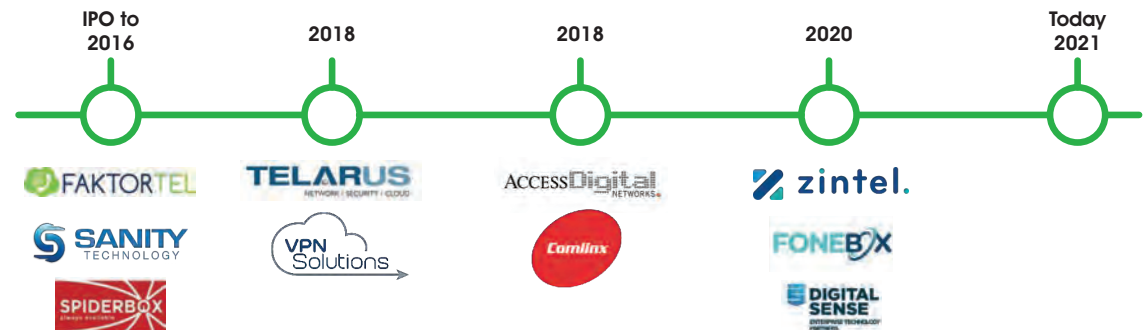
## Overview

Founded in 2005, Over the Wire is a technology company and integrated platform provider, establishing the telco of the future.

With offices across Australia, their purpose is to simplify technology to empower business.

- Australian, New Zealand, Singapore & USA network presence, with major points of presence across all major Australian capital cities and Auckland, NZ.
- Headquartered in Brisbane, with approximately 300 onshore employees across its specialist IT and telecommunications divisions including IT development, sales and solutions experts.
- Diversified pool of contracted medium business, enterprise and government customers.
- Delivering impressive and consistent business acquisition, top-line revenue growth and 96% customer retention rates.

## Over the wire acquisitions





# About Over The Wire

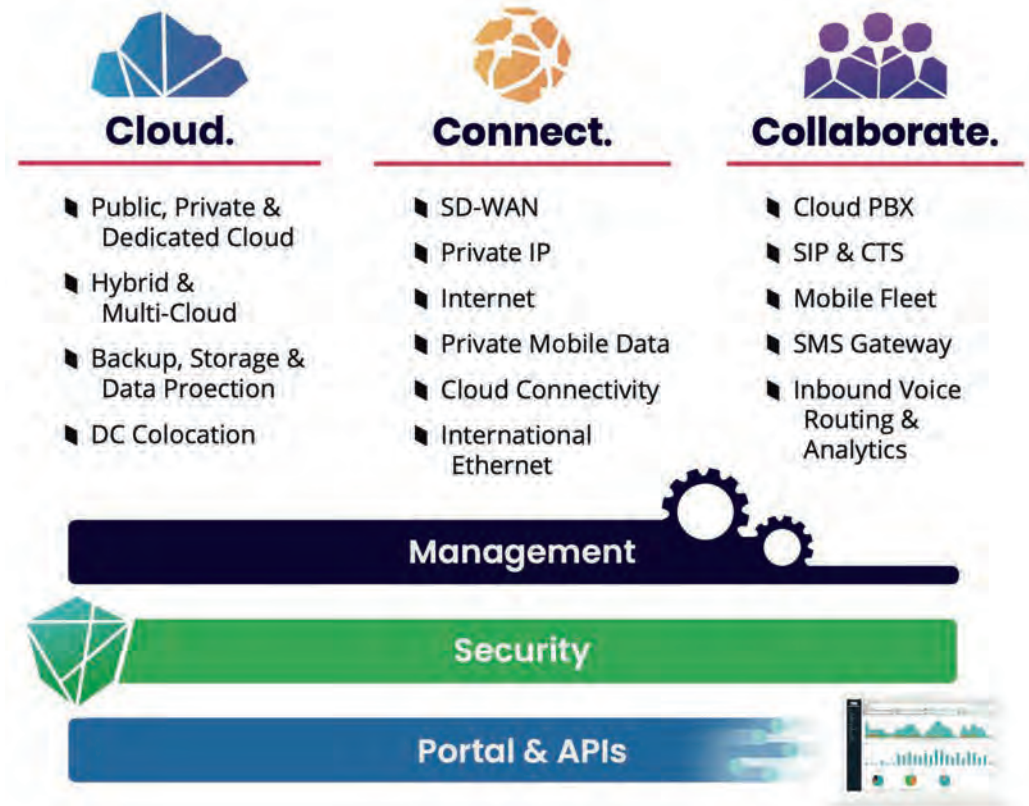
A full end-to-end solutions offering focused on medium business, enterprise, government and wholesale customers.

## Telco of the Future

OTW's goal is to be the integrated platform underpinning the digital transformations of Australian and New Zealand businesses.

OTW are challenging the current status quo and establishing the model for the telco of the future. This includes:

- Strategic infrastructure investments and partnerships.
- Automation, self-service capabilities, and AI.
- Business outcomes focus, supporting critical systems.
- Growing their partner ecosystem leveraging their integrated platform.
- Simplify technology to empower business.



# Strategic rationale

Acceleration of business-focused capabilities by leveraging each others' key strengths, technologies and solutions.



Data & Networks	<ul style="list-style-type: none"><li>• Direct connection to all 121 NBN Points of Interconnect (POIs).</li><li>• 1,200km of owned fibre complete &amp; under construction.</li><li>• Presence in 31 data centres nationally and internationally.</li></ul>	<ul style="list-style-type: none"><li>• No direct connection to any NBN POIs.</li><li>• 99% third party leased fibre network.</li><li>• 5 company owned data centres (additional presence in 38 data centres).</li></ul>
Voice	<ul style="list-style-type: none"><li>• Wholesale customer of other Tier 1 voice carriers,</li><li>• Provides voice services to residential and business customers.</li></ul>	<ul style="list-style-type: none"><li>• Tier 1 voice carrier with the capability to provide residential, business and wholesale services via a direct interconnect infrastructure and in house developed software platform.</li><li>• Offers both inbound and outbound number hosting.</li></ul>
Cloud	<ul style="list-style-type: none"><li>• No offerings currently.</li></ul>	<ul style="list-style-type: none"><li>• Range of cloud and hosting products, including private cloud solutions on OTW-owned infrastructure.</li><li>• Recent acquisition of Digital Sense to expand existing cloud portfolio, adding a number of blue chip customers.</li></ul>
Security & IT Support	<ul style="list-style-type: none"><li>• Limited offerings currently.</li></ul>	<ul style="list-style-type: none"><li>• Existing IT support and data security products.</li><li>• Longstanding arrangements with a number of vendors, with the ability to offer best-in-class solutions.</li></ul>

# Strategic rationale

Highly compatible customer base and network which will enable synergies to be unlocked quickly.



Customers	<ul style="list-style-type: none"><li>• Over 410,000 residential and 28,000 business, MSP &amp; government customers.</li><li>• Over 500,000 active broadband services.</li></ul>	<ul style="list-style-type: none"><li>• Over 16,000 business, government &amp; wholesale customers.</li><li>• Over 700,000 active numbers on the NetSIP voice network.</li></ul>
Customer demographics	<ul style="list-style-type: none"><li>• Australian residential, business, local government, and managed solution provider (MSP) customers.</li></ul>	<ul style="list-style-type: none"><li>• Australian and New Zealand small &amp; medium business, enterprise, government, MSP and wholesale clients.</li></ul>
Customer engagement and marketing	<ul style="list-style-type: none"><li>• 4.5 out of 5 average online review score.</li><li>• Australian Service Excellence Award winner for Customer Services Organisation of the Year - Large 2020 &amp; 2021.</li><li>• Significant marketing &amp; promotions spend to drive organic new customer growth.</li></ul>	<ul style="list-style-type: none"><li>• 97.8% recurring revenue retention in FY21 with excellent track record of revenue and customer retention.</li><li>• Low marketing spend.</li></ul>
Team members	<ul style="list-style-type: none"><li>• Over 700 team members, all based in Australia.</li></ul>	<ul style="list-style-type: none"><li>• ~ 300 team members based in Australia.</li></ul>

# Go to market strategy

## Multiple customer segments and solutions.

### Residential

- Focused on the premium end of the residential market (covers 50% of the market).
- Comprehensive offering including NBN & OptiComm broadband, voice, mobile and Fetch entertainment.
- Best in market customer experience & support, 100% Australian based.

### Business

- Focused on small and medium single-site businesses (approx. 2.3 million nationally).
- Essential business offering including broadband, hosted phone, mobile, managed wifi & security.
- Premium support available 24x7, 100% Australian based.

### Enterprise

- Focused on large, multi-site businesses and government customers that require tailored solutions or have complex needs.
- Total solution offering including connectivity, voice, mobile, managed services, security, wifi, infrastructure as a service and cloud hosting solutions in multiple availability zones.
- Dedicated support engineers available 24x7, 100% Australian based.

### Wholesale, MSP & White Label

- Focused on wholesale customers with delivery through in-house developed Carbon & NetSIP platforms.
- Providing NBN resale, voice, backhaul, dark fibre, IP transit and colocation services.
- Wholesale-focused support engineers available 24x7, 100% Australian based.



# 2H FY22 outlook

## Achieving continued growth

- Record January for broadband sales.
- February broadband sales are stronger than January on a sales per day basis and are on track to be a record February.
- White label migrations recommenced mid January and are now largely complete, the remaining migrations are expected to complete by 3Q FY22.

## 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.

ABB looks forward to welcoming the OTW team and will move forward with the integration of the two companies from April 2022.

## EBITDA guidance

- 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.

## Connections guidance

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.

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## Future performance

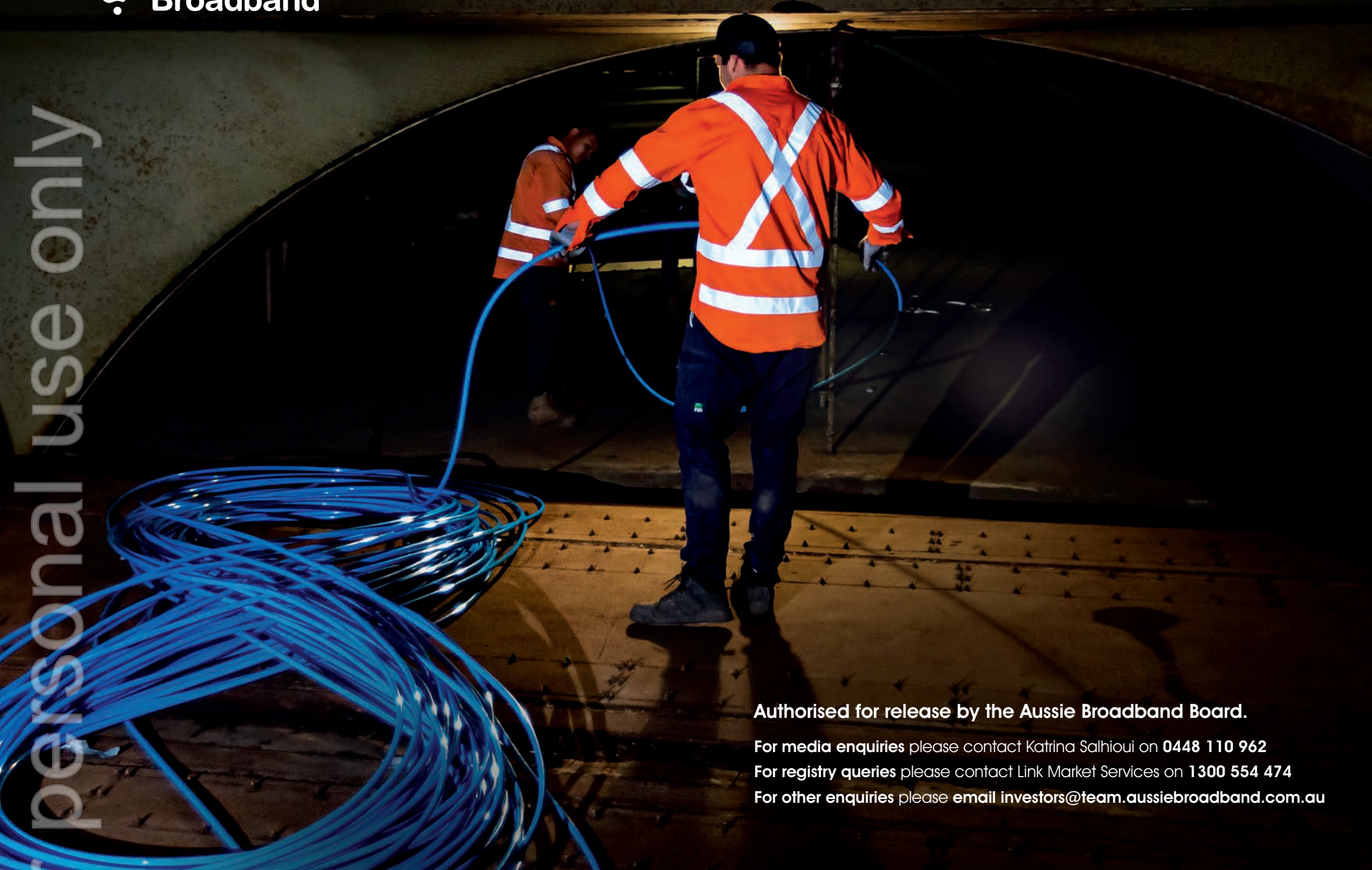
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