

ASX Announcement

29 August 2022

Aussie Broadband's results confirm its position as a leading communications and technology business, delivering strong growth in FY22

Aussie Broadband Limited (ASX:ABB) is pleased to announce its results for the 12 months ended 30 June 2022 (FY22), delivering another year of strong growth for the Company, executing on strategy and exceeding previous guidance with record results.

Key highlights - FY22 vs FY21:

- Record revenue, up 56% to \$546.9 million
- Record EBITDA, up 107% to \$39.4 million, exceeding previous guidance range
- Total broadband connections up 46% to 584,793
 - Business, enterprise and government up 68% to 59,488
 - Residential up 28% to 464,979
 - Wholesale and white label up to 60,326
 - Mobile services up 48% to 37,996
- 6.46% NBN broadband market share (excluding satellite), up from 4.74% on pcp
- Aussie Fibre Project 90% complete with over 105 of 121 NBN Points of Interconnect links migrated to the Aussie network and 100G regional Telstra wavelength network
- Successfully integrating Over the Wire, generating cost synergies from utilising Aussie's infrastructure and revenue synergies
- Aussie Broadband named "The most trusted telco brand in Australia" by Roy Morgan in their annual "Most trusted and distrusted brands" research

Commenting on the Company's operational and financial performance over FY22, Co-founder & Managing Director Phillip Britt said:

"It's been another successful year of growth for Aussie, and I am extremely proud of the work the whole team has put in to deliver these outstanding results. We have achieved strong growth in revenue, earnings and market share, and are well positioned to achieve our goal of becoming Australia's fourth largest communications company providing a full suite of solutions across enterprise, wholesale, residential, and government sectors.

"Aussie has come a long way from our early days as a residential internet service provider. Today we are growing a complete communications and technology solution across multiple market sectors. This enables us to develop closer relationships with a broader range of customers while also driving increased profit margins. While we no longer think solely in the context of broadband connections, it was very pleasing to see continued growth in this metric to almost 585,000 at the end of June, up 46% over the past 12 months.

"Technology initiatives are intrinsically linked to the service value and support experience we provide our customers. Our proprietary 'Carbon' software platform includes industry-leading automation and control for data services and already has 400 partners now able to qualify, quote, order, connect, modify and troubleshoot NBN services in minutes, all through a single platform. At the same time,

250 partners are now using our proprietary 'NetSIP' cutting-edge enablement platform for voice services, enabling over 1 million numbers and 120 million minutes per month. Both these and other tech initiatives are being incorporated into a significantly expanded service offering.

"We continued the Aussie fibre roll out, completing 105 POIs [Points of Interconnection] at 30 June 2022, with the remainder of the sites set to be connected in the first quarter of FY23. Annual savings of \$13.5 million have been unlocked that will benefit our business in FY23 and beyond.

"The integration of Over the Wire has been progressing as planned, bolstering Aussie Broadband's business segment product and skills capability. Over the Wire added a wide range of business, enterprise, government and wholesale customers and has already started generating revenue synergies leading to increased margins due to our higher ratio of high-speed plans and average revenue per customer [ARPC]."

Strong growth in customer base

During FY22 Aussie Broadband increased market share across all sectors within NBN connections, further expanded and differentiated its products, and signed key contracts to enable further growth. At 30 June 2022 the Company was providing 738,246 total services across its customer base.

	Jun-21	Jun-22	Change
Residential	363,455	464,979	28%
Business – ABB	35,466	53,559	51%
Business – OTW		5,929	N/A
Wholesale	2,144	60,326	2,714%
Total Broadband	401,065	584,793	46%
Voice	79,982	94,438	18%
Mobile	25,706	37,996	48%
Fetch	16,196	18,197	12%
Managed	2,695	2,822	7%
Total Services	525,644	738,246	40%

Note: A large number of Over the Wire's customers are voice, security, and cloud customers. Over the Wire has a total of 8,078 data & broadband services of which 2,149 are on the Aussie Broadband network. The remaining 5,929 are off net with other carriers and will be progressively migrated to the Aussie network where possible. The 2,149 on-net are represented in the Business-ABB segment.

Business, enterprise and government net broadband additions of 24,002 resulted in 68% growth for the year, with revenue up 54% to \$67 million, and EBITDA up 62% to \$10.8 million. Continued growth in focus industries including government, education, health & medical and professional services has resulted in several important client wins including a three-year deal with Mitsubishi Motors to provide Enterprise NBN and Aussie Fibre services to its locations across Australia. Additionally, Aussie has signed cloud infrastructure agreements with several large local and state government organisations in Queensland.

Sustained growth in a highly competitive market has increased **residential** broadband revenue by 36% to \$415.0 million, with EBITDA up 41% to \$17.4 million. Aussie achieved net growth of 28%, adding 101,524 connections year-on-year and has continued its growth in share of new orders by +1% from 8% to 9% over the past 12 months. A 9% share equates to 18,018 orders per month.

During FY22, in line with the Company's broader product capabilities and growth strategy, Aussie developed a new capability to provide **wholesale and white-label** broadband and voice services in six months. Providing end-to-end support for retail providers, this new division has grown from none to over 60,000 white label connections in 12 months, generating \$26.4 million revenue and \$1.5 million EBITDA in FY22, with strong growth opportunities as it continues to ramp up.

There were 12,290 net **mobile** additions in FY22, reflecting 48% growth, totalling 37,996 mobile services. Recent changes to plans and advertising strategy saw 50% of mobile sales in June 2022 generated by new customers vs. an FY22 average of 33%. This trend has continued into July with 60% of mobile sales generated from new customers, showing the opportunity to upsell mobile only customers to broadband. Aussie continues to see mobile as a growth opportunity, particularly within the existing broadband base and has repositioned offers in the market drive increased growth in FY23.

Operational Update

Marketing initiatives

Aussie Broadband's residential churn improved by -0.1% over FY22 to 1.1%, and business churn increased by $+0.1\%$ during the period. Whilst churn on average stayed flat over the financial year, the Company has commenced several initiatives that are expected to reduce churn, including a retention team, completion of the POI network migration, additional call centre staffing and automated fault identification.

Increased direct marketing spend to drive broadband growth and mobile retention grew marketing expenditure by 20% to \$31.5 million. Importantly, cost-per-sale (CPS) improved in efficiency reflecting a change in campaign targeting and changes to messaging and value-propositions. Promotional discounts reduced by 33% in the second half to \$5.3 million taking the FY22 total to \$13.3 million compared to \$6.6 million in FY21.

Aussie Broadband reinforced its reputation around customer service, as the winner of the Customer Service Organisation of the year for 2020 & 2021 in the Australian Service Excellence Awards, taking home an abundance of awards across the telecommunications industry, and reporting an average customer satisfaction score of 8.1/10 across its Voice of Customer program.

Aussie fibre project nearing completion

Construction of Aussie Broadband's Fibre Project is nearing completion and remains on budget. Several 4Q FY22 weather events have delayed the final 10% completion into 1Q FY23. The migration off existing Telstra backhaul agreements onto the Aussie Broadband fibre network is continuing, and the Company also expects this work to be completed in 1Q FY23.

Over 105 of the 121 POIs have now been migrated to the new Aussie fibre network and regional POIs upgraded to 100G via new Telstra backhaul services. Once complete, the project is expected to generate \$13.5 million in year-on-year savings. Over 1,000 Over the Wire services and 400 Aussie Broadband services are planned to be migrated to Aussie fibre during FY23 and FY24, unlocking further savings and margin improvement.

Over the Wire update

The integration of Over the Wire is progressing successfully, with synergies already captured. The new operating structure has commenced with one team, one budget and one big ambition: to become the 4th largest provider of communications and technology solutions in Australia.

Over the Wire contributed revenue of \$38.5 million and EBITDA of \$9.6 million, covering the 3.5 months it was owned in FY22. Aussie has achieved total annualised synergies of \$5.2 million to date, comprising \$2.9 million in annualised savings from migrating Aussie voice traffic onto the Over the Wire voice network and \$2.3 million in other run-rate synergies. The Company has also commenced the design of new fibre builds to move ~1,000 Over the Wire services to Aussie Fibre, enabling higher bandwidth services to be provided to customers at significantly increased margins.

Additionally, there have been over 400 existing Aussie Broadband services identified that can be built in 'clusters' alongside the Over the Wire services, leading to further cost efficiencies. Overall, this is expected to deliver \$8 million to \$12 million in annualised cost synergies.

NBN long term pricing and SAU

The proposed NBN Co Special Access Undertaking (SAU) is still a work in progress and Aussie Broadband continues to constructively engage with NBN Co, the ACCC, industry and government. Long term pricing is expected to have a positive impact on a cost per service basis, with the biggest improvement in the high speed tiers where Aussie Broadband over indexes. CVC is currently planned to be phased out over 3 years with expected implementation set for July 2023.

Environmental, Social, Governance (ESG)

The Company is on track to become a Certified B-Corp, having already completed its first submission for assessment as part of its goal to benchmark and improve ESG. With the aim to be in the top 10 B-Corps in Australia, Aussie has always focussed on its staff, the community and the environment. The Company expects the B-Corp appraisal to be complete in 3Q FY23 once a comprehensive assessment has taken place.

Trading update

Aussie Broadband has continued to grow over the first eight weeks of FY23. Total net adds (gross sales, less churn) were 15,332 across the enterprise & business, residential and wholesale customer segments. Of this, 1,572 were higher margin business, enterprise net adds. While there are several competitor low/no-margin offers in the residential broadband market at present, Aussie Broadband will not chase growth at any cost and is focused on striking the right balance between growth and margin.

The Company continues to successfully market to higher value residential customers who prioritise solution value and customer experience over price, while also focusing on converting higher margin enterprise & business and government customers within the Company's growing pipeline of new customer opportunities. This strategy underpinned the growth in margin over FY22, and will continue to drive margin growth expected in FY23.

FY23 guidance

Based on current market conditions, operating plan and year to date trading, Aussie Broadband expects to generate revenue in the range of \$800 million to \$840 million in FY23.

Planned growth in higher margin business, enterprise and government customers, and with the full year benefit of Over the Wire, is expected to deliver an EBITDA margin (excluding integration costs) of circa 10.0% to 10.5%, up from 7.2% in FY22. This margin is after additional investment in people and product development to support longer term growth in Aussie 2.0.

With the Company currently in the early stages of FY23, there remains uncertainty around market conditions, in addition to a number of potential upside opportunities and downside risks as outlined in the investor presentation released today.

Commenting on the Company's positive outlook and continued growth in FY23, Mr Britt said:

"Having delivered continued growth across all key operational metrics and record financial results in FY22, Aussie Broadband is well positioned to deliver another record year in FY23. We have now well and truly started implementing our Aussie 2.0 strategy, with multiple attractive growth opportunities in the business, enterprise and government sectors that will underpin our ability to become Australia's fourth largest communications and technology services company.

"The ingredients for our continued growth are evident. We are rapidly growing in the business, enterprise & government, and wholesale segments. Our unwavering focus on product and technology innovation, as well as customer service, has reinforced our "value" proposition for

customers and differentiated us from other providers. Our balance sheet also supports ongoing attractive organic growth initiatives.

“As the benefits from the execution of our growth strategy come to fruition in FY23, we expect to deliver a step change in EBITDA over the next 12 months. A full year of earnings from Over the Wire, revenue and cost synergies from that acquisition, cost benefits from our fibre network, offset by some cost inflation and further investment into growth initiatives, is expected to substantially lift earnings and cashflows for the business.”

Investor briefing at 11:00am AEST today

A briefing session with Co-founder and Managing Director Phillip Britt and CFO Brian Maher, along with an opportunity for questions, is being held for investors and analysts at 11:00am (AEST) today.

To participate, please register via: <https://s1.c-conf.com/diamondpass/10022850-4ksg68.html>

Registered participants will receive their dial in number upon registration.

ENDS

Authorised for release by the Aussie Broadband Board.

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About Aussie Broadband Limited

Aussie Broadband is an Australian operated telecommunications and technology company that formed in 2008 and is headquartered in Morwell Victoria, Australia.

The Company provides a broad range of solutions to residential, business, enterprise and government customers, and provides wholesale access to other telcos and managed service providers.

As a licensed carrier, the Company provides broadband services nationally through a wholesale agreement with NBN Co, its own fibre network, and some leased backhaul infrastructure from third parties.

The Company is the 5th largest provider of broadband services in Australia and is one of only six tier 1 voice providers in Australia.

Aussie Broadband is focused on building market share in the business, enterprise and government and wholesale segments through its range of cloud, security, broadband, voice, and managed solutions, whilst continuing to build share in the residential segment.

The Company also offers a range of other telecommunications services including voice, mobile plans and handsets, entertainment bundles through its partnership with Fetch TV and connections through the Opticomm network and its white label platform.

For further information please visit: <https://www.aussiebroadband.com.au/>