

ASX Announcement

23 February 2024

## **Aussie Broadband continues to grow across all key metrics with strong revenue and EBITDA growth**

Aussie Broadband Limited (ASX:ABB) announces its financial results for the six months ended 31 December 2023 (1H FY24), demonstrating ongoing strength across the business and growing market share.

### **1H FY24 highlights (vs 1H FY23):**

- Revenue grew 17.7% to \$445.9 million
- EBITDA before non-recurring items grew 12.7% to \$46.3 million
- Operating cash flow grew 57.8% to \$40.7 million
- Total broadband connections grew 20.6% to 765,800 with strong growth across all segments
- Increased NBN broadband market share (excluding satellite) 1.3 ppt to 8.3%
- On track to complete the acquisition of Symbio Holdings (due 28 February 2024, post balance date) providing cloud-based voice and messaging capabilities. Strategically complementary to Aussie's business
- Successfully raised \$140 million through a strongly supported institutional placement and retail share purchase plan, strengthening the balance sheet and providing funding for the Symbio acquisition and other potential M&A
- Aussie Broadband awarded Service Champion for Customer Service Organisation of the Year, and Service Champion for Project of the Year Customer Impact at the Customer Service Institute of Australia ASEA awards
- Aussie Broadband again recognised by The Roy Morgan "Risk Monitor" rankings as Australia's most trusted telco.

### **Commenting on the Company's operational and financial performance in 1H FY24, Co-founder & Group Managing Director Phillip Britt said:**

*"Aussie continued to demonstrate positive operational performance in the first half of FY24. The Company's transition from being a largely residential-focused retail service provider into a multi-faceted communications and technology service provider is well on track and delivering strong results. At the same time, our award-winning customer service has underpinned our success while continuing to grow our NBN market share.*

*"Revenue grew 17.7% to \$445.9 million, reflecting our strong customer offering across all business segments. EBITDA grew 12.7% to \$46.3 million as we continued to focus on more profitable services, leveraging our recent investment in the fibre network, while operating cashflow grew 57.8% to \$40.7 million. These results are testament to the wonderful team we have at Aussie and their dedication to providing the best customer experience possible.*

*“During the half we progressed the acquisition of Symbio Holdings and are excited by this combination given Symbio is highly complementary to Aussie’s offering. The acquisition will fast track Aussie’s presence in the Wholesale and Enterprise & Government market segments while further diversifying our revenue streams and strengthening our financial profile.*

*“We believe that the ACCC’s finalisation of the new NBN SAU regulations that came into effect on 1 December 2023 will be positive for Aussie. Following these changes, we were able to reduce prices in 100Mbps speed and above while improving margins in market segments that Aussie is already strong in. The full effect of these changes will flow through from the second half of FY24.*

*“Meanwhile, our investors once again demonstrated their faith and confidence in our growth strategy by strongly supporting our successful \$140 million capital raising. The proceeds from this raise strengthened our balance sheet and provided capital for further potential M&A opportunities.”*

### **Diversification brings rewards**

In 1H FY24, Aussie Broadband performed well across all key metrics and delivered strong revenue growth, up 17.7% to \$445.9 million. The diverse nature of the business contributed to the overall result, with Residential, Business, and Wholesale segments all reporting double-digit revenue growth. E&G revenue declined by 1.2% in 1H FY24 due to a reduction in non-recurring revenue.

Overall, gross margins increased to \$154.3 million, up 16.7% on the prior corresponding period.

Residential margins were also influenced by a period of intense promotional activity around the SAU changes. Partly offsetting this decline were the higher margins in the Enterprise & Government segment which benefited from a change in revenue mix and the Wholesale segment improved as a result of stronger voice margins.

In 1H FY24, EBITDA before non-recurring items increased 12.7% to \$46.3 million.

<b>Revenue (\$m)</b>			
<b>Segment</b>	<b>1H FY23</b>	<b>1H FY24</b>	<b>Change</b>
Residential	246.1	283.9	15.4%
Business	43.2	48.0	11.1%
Enterprise & Government	42.2	41.7	(1.2%)
Wholesale inc. Voice	47.4	72.3	52.5%
<b>Total Revenue</b>	<b>379.0</b>	<b>445.9</b>	<b>17.7%</b>

## Continuing double-digit broadband growth

Broadband Connections			
Segment	1H FY23	1H FY24	Change
Residential	494,954	560,823	13.3%
Business	43,061	51,527	19.7%
Enterprise & Government	9,783	12,224	21.7%
Wholesale	87,444	141,232	61.5%
<b>Total BB Connections</b>	<b>635,242</b>	<b>765,806</b>	<b>20.5%</b>

The **Residential** segment continued to perform well in 1H FY24, demonstrating strong momentum in revenue and connection growth. Revenue grew 15.4% to \$283.9 million, while 38,318 connections were added during this half, which exceeded the connections made in both halves of FY23. Aussie continued to capture a growing share of the NBN market (excluding satellite services), increasing our overall market share by 1.3ppt to 8.3%. Residential gross margins declined 0.4ppt to 30.2%, impacted by unfavourable mobile data charges.

In the first half, Aussie strategically realigned all segments - including Residential - for the SAU changes and repriced NBN plans. As a result, the Company went through the pain of changing prices and saw elevated churn, which was lower than expected.

Churn is expected to go back to historical levels in the second half and we are already seeing evidence of this through January and February.

Now that Aussie has experienced the impact of the new pricing, all customers are on the new plans, which, along with our continued growth in net additions, provides confidence in revenue and EBITDA targets.

Marketing investment rose during the first half, which delivered increased growth in connections while maintaining lower cost to acquire than the previous two halves. It is expected that marketing investment will remain elevated in the second half of FY24. Since the move to the new pricing, 69% of new customers are signing up to the higher speed tiers (100Mbps and above).

The **Business** segment remains very stable with no change to customer churn experienced during the half. Net broadband additions of 4,196 in the first half of FY24 were 3.8% higher than in the prior corresponding period. Revenue grew 11.1% to \$48.0 million while gross margins reduced by 1.6ppt to 45.1% due to unfavourable mobile data charges. Margins are expected to return to growth in 2H FY24 as they benefit from a full-half impact of SAU.

**Enterprise & Government** revenue declined modestly to \$41.7 million, largely due to a reduction in one-off revenue. Recurring revenue grew 7.3% to \$38.4 million on the first half of FY23 but was slightly reduced versus the second half of FY23. New business growth in this segment has been partly offset by recontracting legacy customers onto new NBN and Aussie Fibre plans. Gross margins increased 1.7ppt to 52.7%, driven by a change in revenue mix.

The **Wholesale** segment continued to demonstrate robust growth across white label broadband and wholesale voice services. Revenue grew 52.5% to \$72.3 million while gross

margins increased 2.6ppt to 34.4%. Stronger voice margins remain a key driver of the gross margin and Aussie expects that the combined NetSIP and Symbio business will be a strong catalyst for future monthly minutes growth.

## **Strategy and operational performance**

### **Symbio Holdings acquisition**

In September 2023 Aussie Broadband proposed to acquire 100% of the shares in Symbio Holdings Limited via a Scheme of Arrangement. In February 2024 that Scheme was approved by Symbio shareholders and is due to complete on 28 February 2024.

Symbio is highly complementary to Aussie's existing business and strategy, with significant operational and efficiency opportunities identified. Symbio will be led by Aussie Broadband's Executive Director, Michael Omeros, and is attractively positioned as a diversified modern voice business and unified communications provider in Australia. The acquisition allows Aussie to fast track its presence in the Wholesale and Enterprise & Government market segments while at the same time further diversifying revenue streams and strengthening the Company's financial profile.

### **Equity capital raising**

In November and December 2023, Aussie successfully raised \$140 million from a strongly supported institutional placement (\$120 million) and non-underwritten share purchase plan (\$20 million). This capital raising was undertaken to strengthen Aussie's balance sheet in light of the Group's capital investment pipeline, support the Symbio acquisition, and fund future M&A opportunities.

### **NBN's long-term pricing and the SAU**

After an extended period of consultation, the NBN Special Access Undertaking (SAU) was approved by the ACCC and took effect from 1 December 2023. The impact of the new SAU has resulted in an increase in wholesale prices on speed tiers 50 and below, and a reduction in wholesale prices on speed tiers 100 and above.

While Aussie has absorbed cost increases over the past three years, the finalisation of the new SAU arrangements has enabled the Company to reduce prices for all products at 100 speed and above. The Company increased prices on 50 speed and below services to maintain margin levels following NBN's increase in wholesale cost. Aussie continues to focus on providing value to our customers in order to sustain our industry leading service levels.

Gross margins, particularly in the Residential and Business segments are expected to benefit from the changed pricing schedule from 2H FY24 onwards.

### **Upgraded FY24 guidance – EBITDA and Capex**

Based on current market conditions, operating plan, pipeline, and trading to date, Aussie Broadband has upgraded its FY24 EBITDA guidance in the range of \$105 million to \$110 million from previous guidance of \$100 million to \$110 million.

The Company also updated its capex guidance to \$40 million to \$45 million (from previous guidance of \$47 million to \$52 million), based on the reduced capex charge in the first half of FY24.

Although only limited information on Symbio has been provided to Aussie at this time, we anticipate that Symbio will contribute approximately \$11 million additional EBITDA for the four months owned by the Group, taking the **upgraded FY24 EBITDA guidance for the combined Group to a range of \$116 million to \$121 million.**

Progress to meet guidance is tracking well. As of today the Company has added more than 19,000 additional broadband services for the quarter so far.

The Group remains focused on organic growth, but is open to acquisition opportunities should they arise and which align with our strategic objectives.

#### **Investor briefing at 10:30am AEDT today**

A briefing session with Co-founder & Group Managing Director Phillip Britt and Aussie Broadband CEO Brian Maher, along with an opportunity for questions, is being held for investors and analysts at 10:30am AEDT today.

To participate, please register via: <https://sl.c-conf.com/diamondpass/10035401-3knchj.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 in Morwell, Victoria.

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

The Company is the 5<sup>th</sup> largest provider of broadband services in Australia and is one of only six tier 1 voice carriers nationally.

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

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