

ASX Announcement

27 February 2023

Aussie grows across all key metrics in 1H; upgrades FY EBITDA guidance

Expansion across key segments, broader product suite and growing infrastructure

Aussie Broadband Limited (ASX: ABB) is pleased to announce its results for the six months ended 31 December 2022 (1H FY23), producing another positive half of strong growth underpinned by execution of the Company's focused operational strategy, and upgrades FY23 EBITDA guidance.

1H FY23 highlights (vs 1H FY22¹):

- Revenue up 27% to \$379.0 million
- EBITDA up 86% to \$41.1 million
- Gross margin grew 2.5 percentage points to 34.9%
- Total broadband connections up 27% to 635.2k
- 7.01% nbn broadband market share (excluding satellite), up from 5.66%
- Successful integration of Over the Wire, with c. \$6 million in annual run-rate synergies implemented, and on track to achieve \$8-12 million annually by FY25
- Aussie fibre connectivity accelerated with 100% of the core network completed, 288 buildings connected, 73 being provisioned, and over 1,400 within 1km available for connection
- Operating cashflow up 35% to \$30.8 million

1. Prior year comparable calculated based on aggregated ABB and OTW 1H FY22 results

Commenting on the Company's operational and financial performance over 1H FY23, Co-founder & Managing Director Phillip Britt said:

"We are pleased to report that Aussie Broadband has continued to deliver outstanding financial and operational performance, with strong growth in both revenue and customer numbers as we successfully execute our Aussie 2.0 strategy to diversify earnings through a broader product offering that brings scale to the business.

"We delivered record half-year results, with revenue up 27% to \$378.9 million, and EBITDA up 86% to \$41.1 million. EBITDA grew faster than revenue reflecting the operating leverage from our fibre network and the positive shift to higher margin segments, while proactively managing our residential nbn growth strategy.

"A key driver of our success has been the ongoing expansion of our business, enterprise and government segments [aided by the acquisition of Over the Wire in March 2022], while also continuing our above market growth in residential broadband. We have continued to see growing demand for our services, with more enterprise customers choosing Aussie Broadband. Our focus on delivering fast, reliable and affordable broadband services is resonating with businesses of all sizes, and we are proud to be working with some of Australia's leading companies to support their growth and success.

"The integration of Over the Wire into Aussie 2.0 is going to plan, so far delivering \$6 million in annualised synergies on a run-rate basis and supporting growth in market share in business, enterprise and government segments.

“The wholesale segment has also seen strong growth, with almost 16,000 net new connections added over the first half. The continued investment in our wholesale infrastructure is delivering improved performance for customers, and we remain committed to supporting the growth of this important segment of our business.

“We now service over 7% of Australia’s nbn population and have invested in upgrading our infrastructure to deliver faster and more reliable services. This investment has not only delivered an improved performance for our customers but has also contributed to our strong financial results as scale and infrastructure benefits flow.

“Aussie fibre connectivity accelerated in the first half, with 100% of the core network now complete, the number of connected buildings more than tripling to 288, an additional 73 being provisioned, and over 1,400 further buildings available for connection. We will continue our measured investment in infrastructure, and will allow us to improve profitability through higher rates of return, increased scalability, and cost efficiencies.

“In addition to our strong financial results, we are also proud to have been recognised for our commitment to customer service and a great place to work. Innovation and our challenger status are at the heart of our approach and allow us to continue to consciously grow while maintaining our industry-leading customer experience. We were recently awarded ‘Most Trusted Brand in Telecommunications’ for the third year in a row at the Roy Morgan Trusted Brand Awards, a testament to the hard work and dedication that our all-Australian customer service team put into making Aussie Broadband a first-rate telco.

“Looking ahead, we remain focused on delivering long-term value to our customers and shareholders, and awesome opportunities for our team, through disciplined investment in the future growth of our business. We are confident that our continued focus on providing the best possible communications and technology services for our customers, combined with our strong financial position will enable us to achieve our goals and deliver sustainable, profitable growth.

“I would like to thank our team, customers, and shareholders for their support. We are proud of what we have achieved together and are committed to delivering continued success in the future.”

Growing customer base

During 1H FY23 Aussie increased its market share across all segments and expanded its product offering. The Company restructured and expanded its Enterprise and Government sales and marketing teams ready for growth in 2H FY23. At 31 December 2022, Aussie was providing 801,732 total services across its customer base.

Total services

	Dec-21¹	Dec-22	Change
Residential	421,909	494,986	17%
Business	38,145	47,286	24%
Enterprise & Gov	6,577	7,260	10%
Wholesale	34,769	85,710	147%
Total Broadband	501,400	635,242	27%
Voice	88,193	97,905	11%
Mobile	35,242	50,951	45%
Fetch	18,491	17,634	(5%)
Total Services	643,326	801,732	25%

¹ 1H FY22 total connections revised to include OTW and ABB connection numbers on a pro forma basis, in new segments.

Aussie Fibre Project generating strong returns

All 121 nbn POIs have now been migrated to the new Aussie Fibre network and regional POIs upgraded to 100G via new Telstra backhaul services. The benefits of this project are being realised and are now generating margin expansion and improved EBITDA performance.

Over 1,000 Over the Wire and Aussie Broadband services are planned to be migrated to Aussie fibre during FY23 and FY24, unlocking further savings and margin improvement.

In addition, Aussie fibre connectivity accelerated in 1H FY23 with 100% of the core network now completed. Connected buildings more than tripled to 288, an additional 73 are being provisioned, and over 1,400 further buildings within 1km are available for connection. An attractive opportunity exists to generate growing returns from this fibre rollout as more buildings are connected.

Over the Wire integration and divestments

Over 1H FY23 Aussie accelerated the integration of Over the Wire to scale its business, enabling a one-team approach to leverage cost efficiencies, improve product offerings and position the Company to drive growth in the business, wholesale, and enterprise and government segments. In addition, \$6 million of annualised synergies have been implemented to date, well on track to achieve the \$8 million to \$12 million of annual synergies expected by FY25.

With the Aussie 2.0 strategy underpinning future growth, the Company conducted a strategic review of Over the Wire's non-core assets, and has entered into a transaction with Maxotel Telecommunications for the divestment of the Zintel New Zealand operations, and Fonebox Contact Centre. The transactions are expected to complete in 2H FY23, with the proceeds to be used to repay debt.

Maxotel has also entered into a wholesale services agreement with Aussie Broadband, expected to generate significant voice minutes annually on Aussie Broadband's NetSip voice platform, once whole services fully transition.

The Company does not anticipate any further divestments.

Customer satisfaction

Aussie reinforced its reputation around customer service through a number of awards including 'service champion' at the Australian Service Excellence Awards, Choice 'best nbn provider', Product Review 'best internet provider' and Edison Awards 'best fixed broadband provider'. In addition, Aussie's average customer satisfaction score was 8.4/10 across its Voice of Customer program.

Maintaining high customer satisfaction ensured Aussie's residential customer churn remained steady at circa 1.2% per month over 1H FY23.

Environmental, Social, and 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 focused on its staff, the community and the environment. The Company expects the B-Corp appraisal to be completed in 4Q FY23.

FY23 EBITDA guidance upgraded

The first six weeks of 2H FY23 have seen Aussie continue to grow in higher margin segments by winning a number of high value business, enterprise and government, and wholesale customers.

Based on current market conditions, operating plan and year-to-date trading, Aussie provides the following guidance for FY23:

- Revenue in the range of \$780 million to \$800 million (previously \$800 million to \$840 million)
- EBITDA upgraded to be in the range of \$85 million to \$90 million (previously a margin of 10% to 10.5%) reflecting effective CVC management, disciplined staff growth and strong gross margin performance driven by operating leverage now flowing from scale and owned infrastructure.

Aussie remains committed to achieving its goal of becoming Australia's 4th largest provider of communications and technology services by 2025 by remaining nimble and efficient, providing innovative products and solutions, and industry-leading infrastructure and technology.

Investor briefing at 11:30am AEDT 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 11:30am AEDT today.

To participate, please register via: <https://s1.c-conf.com/diamondpass/10028697-qav3ct.html>

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/>