

1H FY23 Results presentation

27 February 2023



**Aussie
Broadband**

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Delivering on our Aussie 2.0 strategy



**Aussie
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Aussie 2023 – our game

Building the base for our 2025 ambition to be Australia's 4th largest provider of communications and technology services

Leverage our technology platforms

One of Australia's largest infrastructure operators across data, voice and cloud

Modern, highly scalable systems enabling better customer experience

Innovative, high-quality products delivered as complete solutions for customers

Supported by our people

- Talented people and a thriving culture which supports our growth ambitions
- Exceptional customer experience through our focus on customer service and continuous improvement of our processes
- Tailored go-to-market structure to reflect our four operating segments, ensuring we remain nimble and efficient

Continuing to deliver growth

- Delivering sustainable and profitable growth through a diversified product portfolio
- Leveraging our infrastructure and automation to drive down costs and increase margins
- Our goal remains 1m broadband services by FY25



Our business model

	Residential	Business	Enterprise & Government	Wholesale
Strategy	Continuing to show Australians what a good telco looks like	Making getting connected and staying connected as easy at work as it is at home	Providing a genuine, full-service alternative to the big 4	Leveraging our infrastructure and expertise to gain scale
Products	<ul style="list-style-type: none"> • Home broadband • Home phone • Mobile • Entertainment 	<ul style="list-style-type: none"> • Business broadband • Office phones • Mobile • Security 	<ul style="list-style-type: none"> • Managed networks • Managed voice • Managed cloud • Mobile • Security 	<ul style="list-style-type: none"> • Wholesale data • Wholesale voice • White-label platform
ABB proposition	<ul style="list-style-type: none"> ✓ Best-in-market customer experience ✓ Leading digital tools to manage services ✓ Rated most trusted telco in Australia 	<ul style="list-style-type: none"> ✓ Straightforward solutions making it simple for businesses ✓ Highly automated provisioning to keep them moving at speed ✓ Dedicated business support staff with <60-second hold time 	<ul style="list-style-type: none"> ✓ Fully managed, customisable communications and technology solutions ✓ Own and operate our own infrastructure ✓ Expert support staff available 24/7 	<ul style="list-style-type: none"> ✓ 900 partners who can respond to the variety of needs of the market ✓ Highly automated end-to-end ordering, configuration and management of services ✓ Scalable infrastructure and software platforms
Our capability	Exceptional customer experience 100% Australian based customer service centres, unique self-service tools, proactive issue monitoring			
	Industry-leading technology, infrastructure & software Full nbn POI coverage, 1,200km of Aussie Fibre, 30 major data centres connected, Tier 1 Voice Network, 8,300+ Tbs cloud storage under management			

Continuing to scale our business

Led by a strategy to extend our product offering and diversify earnings

1

Create scale through the delivery of high-quality network and communications services and exceptional customer experience

2

Leverage our strategic acquisition of Over the Wire to grow greater market share in business, enterprise & government and wholesale segments

3

Continue our investment in fibre infrastructure and technology, which provides the backbone of our network, generating high returns and enabling scalability and cost efficiencies



Financial and operational highlights



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1H FY23 financial highlights

Growth across all key financial metrics



\$379.0m
Revenue

Up 27%
pcp



\$41.1m
EBITDA

Up 86%
pcp



34.9%
Gross Margin

Up 2.5ppt
pcp



\$30.8m
Op Cash Flow

Up 35%
pcp



1. Prior comparable period (pcp) calculated based on aggregated ABB and OTW 1H FY22 results
2. Operating cash flow before interest and tax

1H FY23 operational highlights

Delivering across all key operational metrics



Broadband
Connections
635.2k

Up 27%
pcp



nbn[®] Market
Share
7.01%

Up 1.4 ppt
pcp



OTW Integration
**\$6m annualised
synergies**

**Up \$0.8m on
1Q FY23**



One team
operating
model

> 1,100
team
members

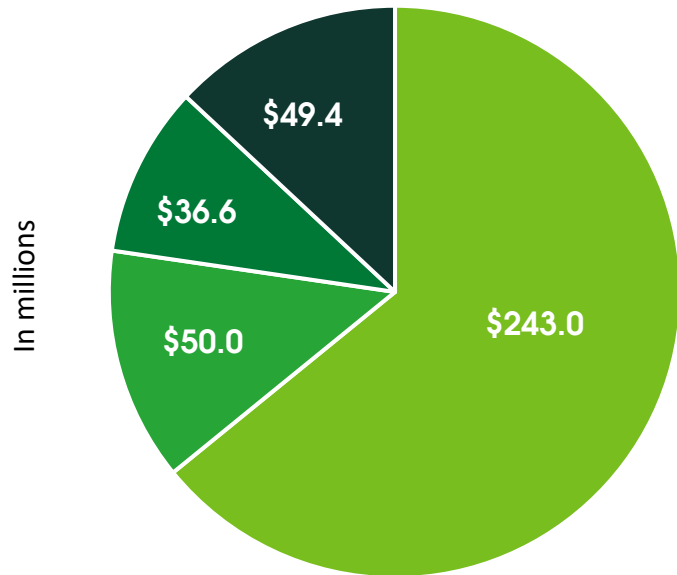
1. Prior comparable period (pcp) calculated based on aggregated ABB and OTW 1H FY22 results
2. Market share of nbn services, excluding satellite connections
3. Annualised synergy estimate based on 1H FY23 volumes



Strong performance across our 4 key segments

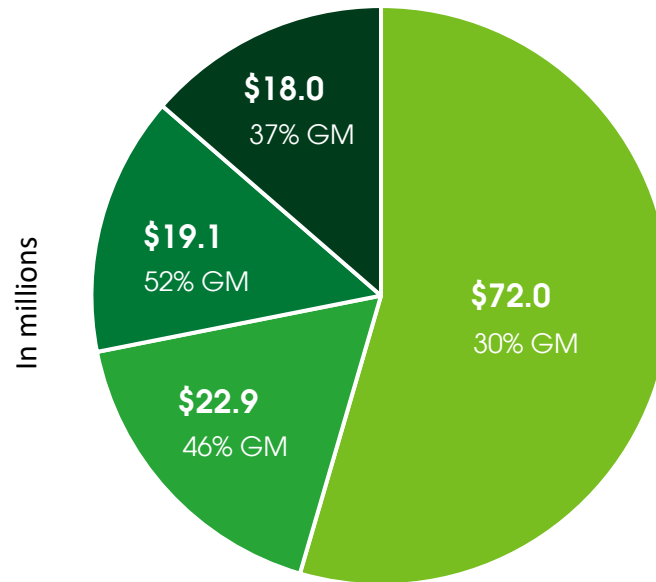
A shift in earnings from primarily residential NBN to other segments

1H FY23 revenue by segment



- Residential
- Business
- Enterprise and Government
- Wholesale

1H FY23 gross profit and margin as % of revenue by segment



- Residential
- Business
- Enterprise and Government
- Wholesale

Positive mix shift towards higher margin segments

Proactively managing residential nbn growth strategy

Margin expansion is expected to continue as we scale

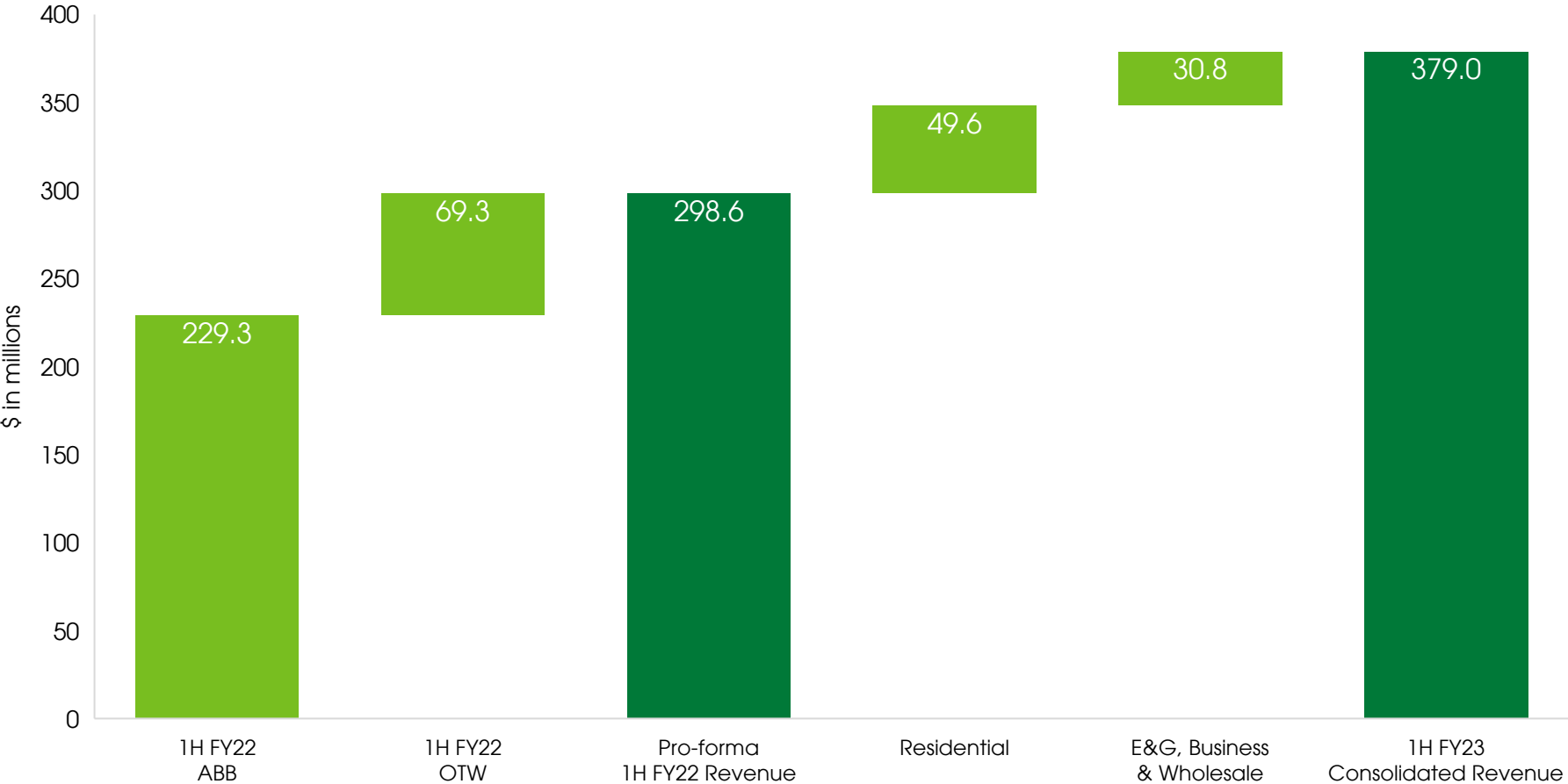
1. Product mix based on revised segmentation



Key 1H FY23 revenue drivers

Growth across all key metrics

1H FY23 revenue bridge



27% growth in top line revenue

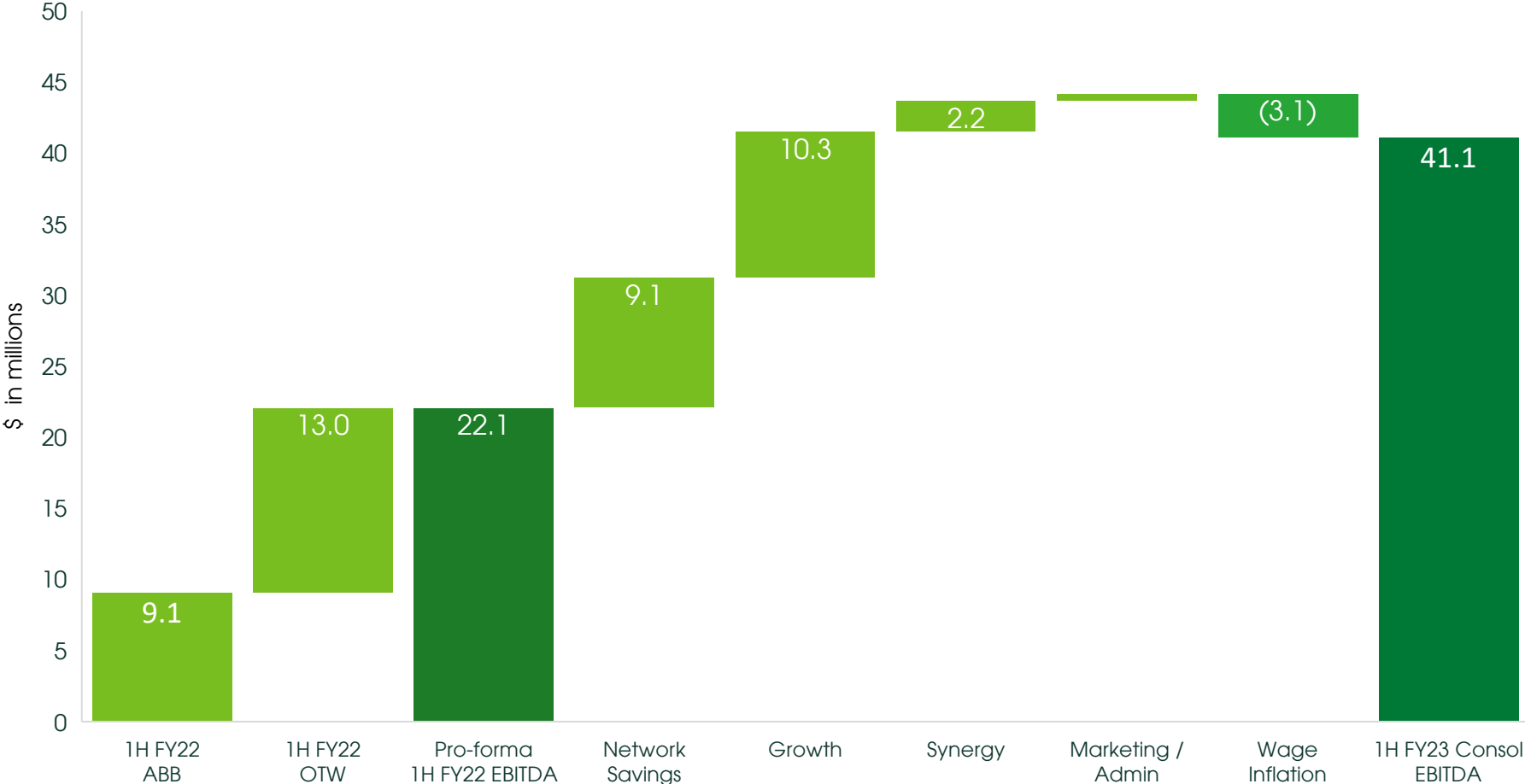
1. Pro-forma 1H FY22 based on aggregated ABB and OTW results for comparable period



Key 1H FY23 EBITDA drivers

EBITDA growth underpinned by scale and shift in mix

1H FY23 EBITDA bridge



86% growth in EBITDA

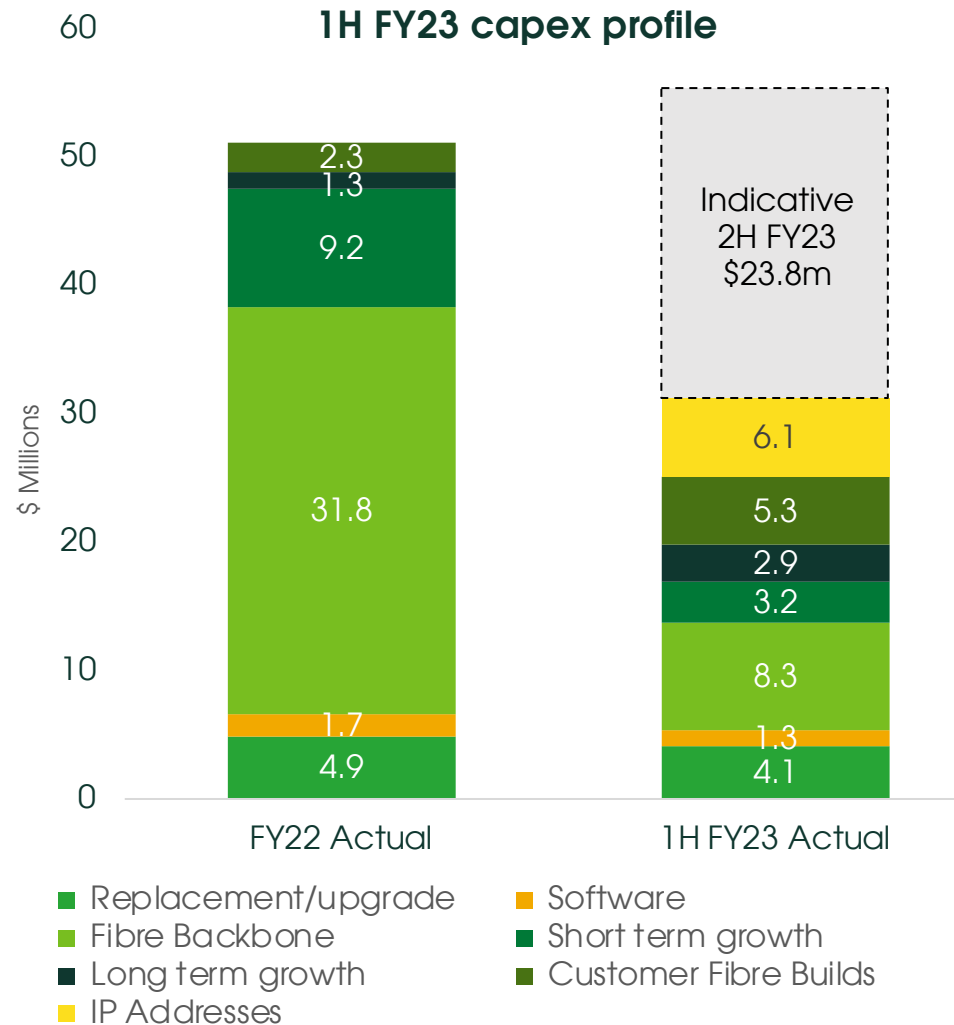
1. Pro-forma 1H FY22 based on aggregated ABB and OTW results for comparable period



Capex

Investing for growth

Summary Capex (\$m)	1H FY23
Recurring (Network & Software)	5.4
Fibre backbone	8.3
Growth	17.5
Total	31.2
Indicative 2H FY23	23.8
Total Indicative FY23	55.0



- **Recurring** capex remains modest, largely relating to replacement/upgrades (\$4.1m) and software (\$1.3m)
- **Growth** capex of \$17.5m relating to customer build as well as short and long term growth opportunities which we expect to have higher returns

FY22 spend dominated by fibre backbone with FY23 focused on growth

Fibre build investment driven by customer demand and returns generated

Disciplined approach to carefully invest in infrastructure for longer-term growth



Cashflow

Strong operating cash generation

	1H FY22	1H FY23
	\$m	\$m
Cash flows from operating activities	22.8	30.8
Net interest	(0.7)	(3.6)
Income taxes paid	(1.4)	(1.4)
Net cash from operating activities	19.2	25.8
Investing activities	(32.6)	(32.5)
Financing activities	119.0	(7.4)
Net increase in cash and cash equivalents	105.6	(14.1)

Operating cashflows at \$30.8m remains strong

Investing activities largely reflect growth capex

Disciplined cash management remains a key focus heading into 2H FY23

1. Pro-forma 1H FY22 represents aggregated ABB and OTW results for comparable period
2. FY23 tax paid is due to instalment payments that are expected to be recoverable, instalment rate reduced to 0% post balance date



Segment performance



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Residential

Connection numbers continue to grow despite slowing new nbn connection market

Summary performance (\$m)	1H FY22	1H FY23	Change
Revenue	193.4	243.0	26%
COGS	(144.9)	(171.0)	18%
Gross margin	48.3	72.0	49%
Gross margin %	25%	30%	5ppt

- **Revenue:** Residential connections continue to grow with larger share of higher speed tier plans, with net additions of 30,077 connections in 1H FY23
- **Gross margin:** gross margin continues to grow, up 5ppt to 30%
- **Customer experience** currently 8.4/10 on voice of customer surveys and remains a key focus as we continue to invest and transform our customer experience offering

Residential broadband connections



Net additions growth continues to outpace nbn market trends

Customer churn remains steady, at c. 1.2%

Ongoing focus on market leading Australian customer experience

1. Prior period comparison based on statutory accounts as OTW did not have residential connections



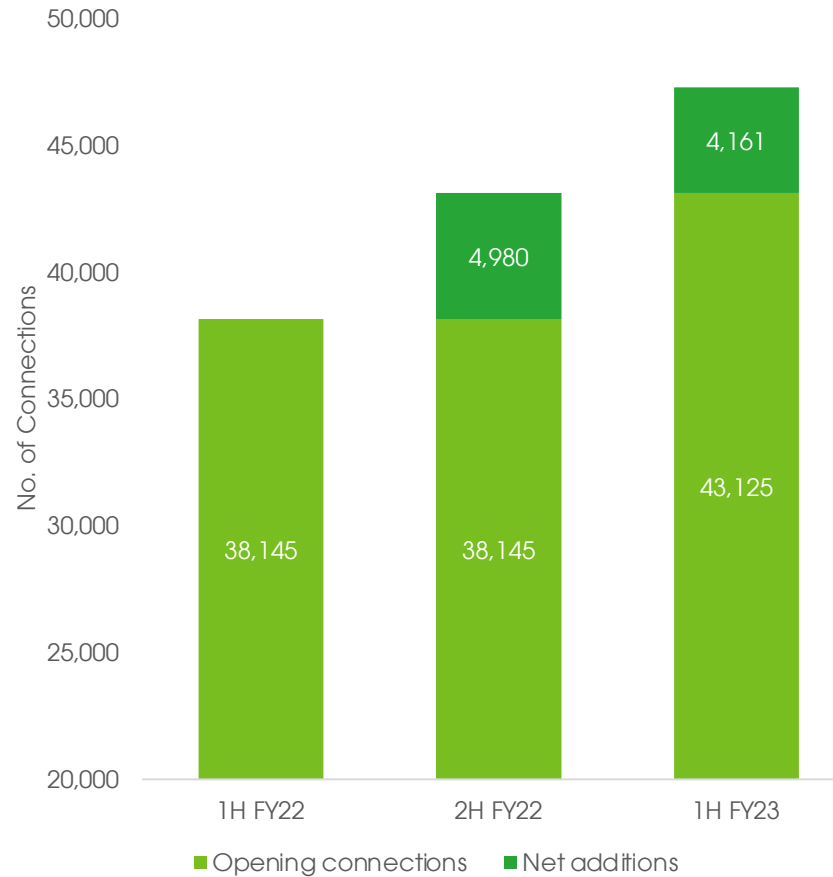
Business

Connection growth continues and now includes expanded product offering

Summary performance (\$m)	1H FY22	1H FY23	Change
Revenue	46.8	50.0	7%
COGS	(23.7)	(27.0)	14%
Gross margin	23.1	23.0	(1%)
Gross margin %	49%	46%	(3 ppt)

- **Revenue:** growth of 7% on 1H FY22 from combination of connection growth (organic and OTW) and additional products
- **Gross margin:** Gross margin stable with change in product mix
- **Renewed marketing approach** focused on higher value propositions for SMBs

Business broadband connections



Connections of 9.1k, up 24% from 1H FY22

Margin steady, with movement driven by new segmentation classification

Product portfolio expansion to drive growth

1. Pro-forma 1H FY22 based on aggregated ABB and OTW results for comparable period
 2. Business connections based on revised segmentation presented in the appendices

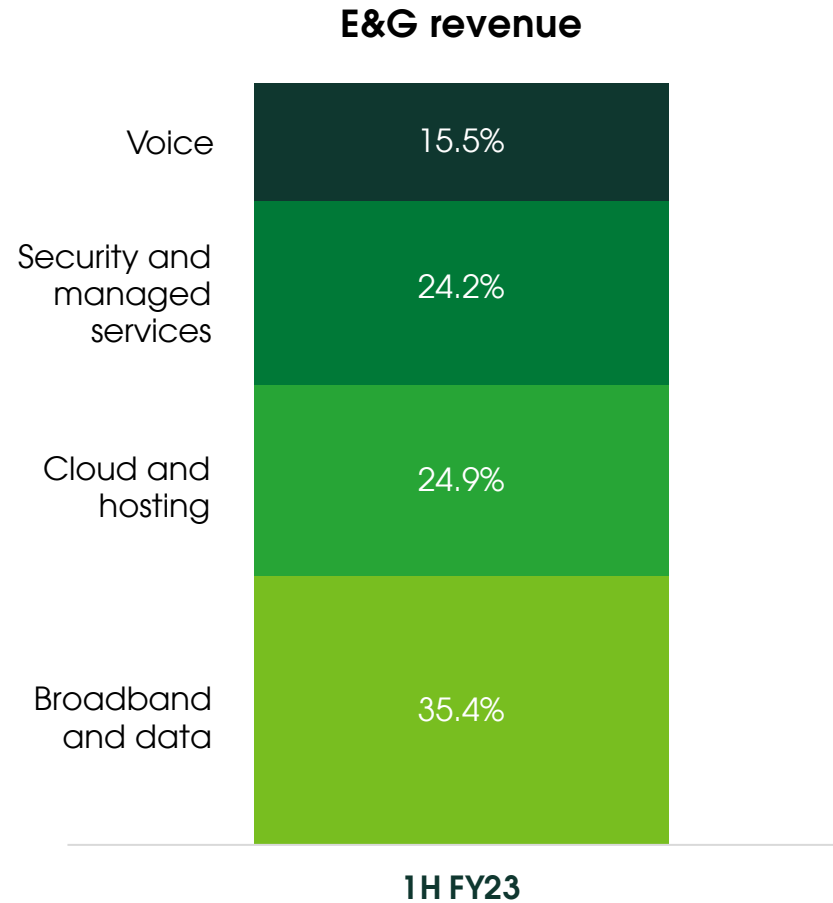


Enterprise and government

High margin, value add segment with longer term contracts

Summary performance (\$m)	1H FY22	1H FY23	Change
Recurring	30.0	31.5	5%
Non-recurring	6.7	5.0	(25%)
Total revenue	36.7	36.6	0%
COGS	(18.8)	(17.4)	(7%)
Gross margin	17.9	19.2	7%
Gross margin %	49%	52%	3ppts

- **Recurring revenue** modest growth, total revenue stable due to timing of non-recurring revenue
- **Higher gross margin** through whole of business product offering and bespoke solutions
- **New operating model** and expanded team now in place, and ready for growth



E&G revenue mix weighted towards value-add services

Higher value contracts with typical 3-year contract term

Key growth focus that leverages our infrastructure and capabilities

1. Pro-forma 1H FY22 based on aggregated ABB and OTW results for comparable period



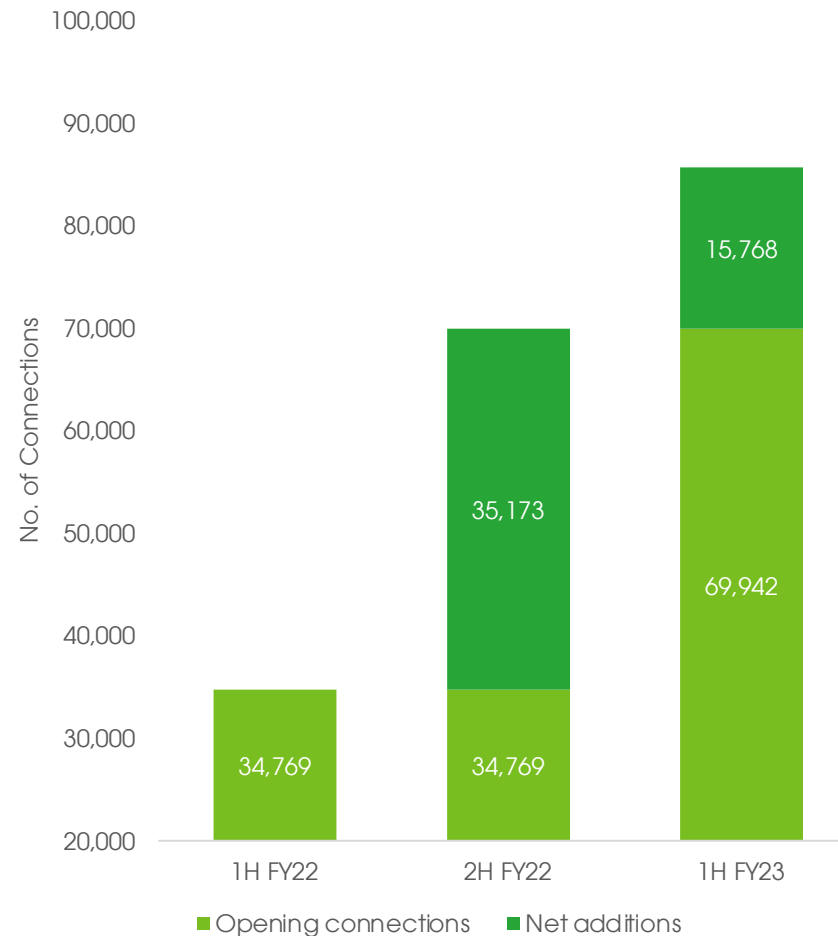
Wholesale

Partner broadband connection growth through focus on new connections and churn

Summary performance (\$m)	1H FY22	1H FY23	Change
Revenue	21.6	49.4	129%
COGS	(13.0)	(31.4)	141%
Gross margin	8.6	18.0	111%
Gross margin %	40%	37%	(3 ppts)

- **Strong revenue growth** driven by new broadband connection growth of 129% from 1H FY22 across nbn and nbn enterprise ethernet
- **Gross margin** remains strong, more than doubling to 1H FY22. Margin % lower due to white label and wholesale product mix
- **Wholesale Voice** product offering added, and is a key growth focus moving forward

Wholesale broadband connections



Three core products: broadband, voice and white label

Broadband connection growth, adding 51k through white label and 425 MSP customers

Gross margin more than doubled in 1H FY23

1. Pro-forma 1H FY22 based on aggregated ABB and OTW results for comparable period
 2. 2H FY22 broadband connections included bulk migration of existing Origin customers
 3. Wholesale connections based on revised segmentation presented in the appendices



Aussie Fibre

Connected buildings has accelerated in 1H FY23



Connected buildings
288

100% of core network completed



Buildings being provisioned
73



Buildings available for connection
1,400+

Up 320% pcp



1. Connected buildings includes 172 commercial buildings, 86 nbn POIs and 30 data centres

Over the Wire integration

Integration synergies delivered amount to \$6m annualised

Summary performance (\$m)	1H FY23	Full year FY23 estimate
Gross synergy	\$2.2m	\$5.3m
FY25 synergy guidance	\$8.0 - \$12.0m	

- Accelerated integration of OTW to scale our business, enabling a one team approach to leverage cost efficiencies and product offerings
- Synergies actioned to date total \$6m on an annualised basis
- Business case for investment remains on track with \$8m to \$12m of gross synergies expected by FY25

- Divestment of Fonebox contact centre assets and Zintel NZ operations, considered non-core to our strategy
- Sale and purchase agreement entered with Maxotel Communications Pty Ltd, for total gross consideration for both assets of \$6.5m
- Maxotel entered a wholesale arrangement with ABB for provision of Voice services and inbound calls

FY23 synergy estimate of \$5.3m

Divestment of two non-core businesses generating \$6.5m gross proceeds

Synergy guidance reaffirmed at \$8 - \$12m by FY25



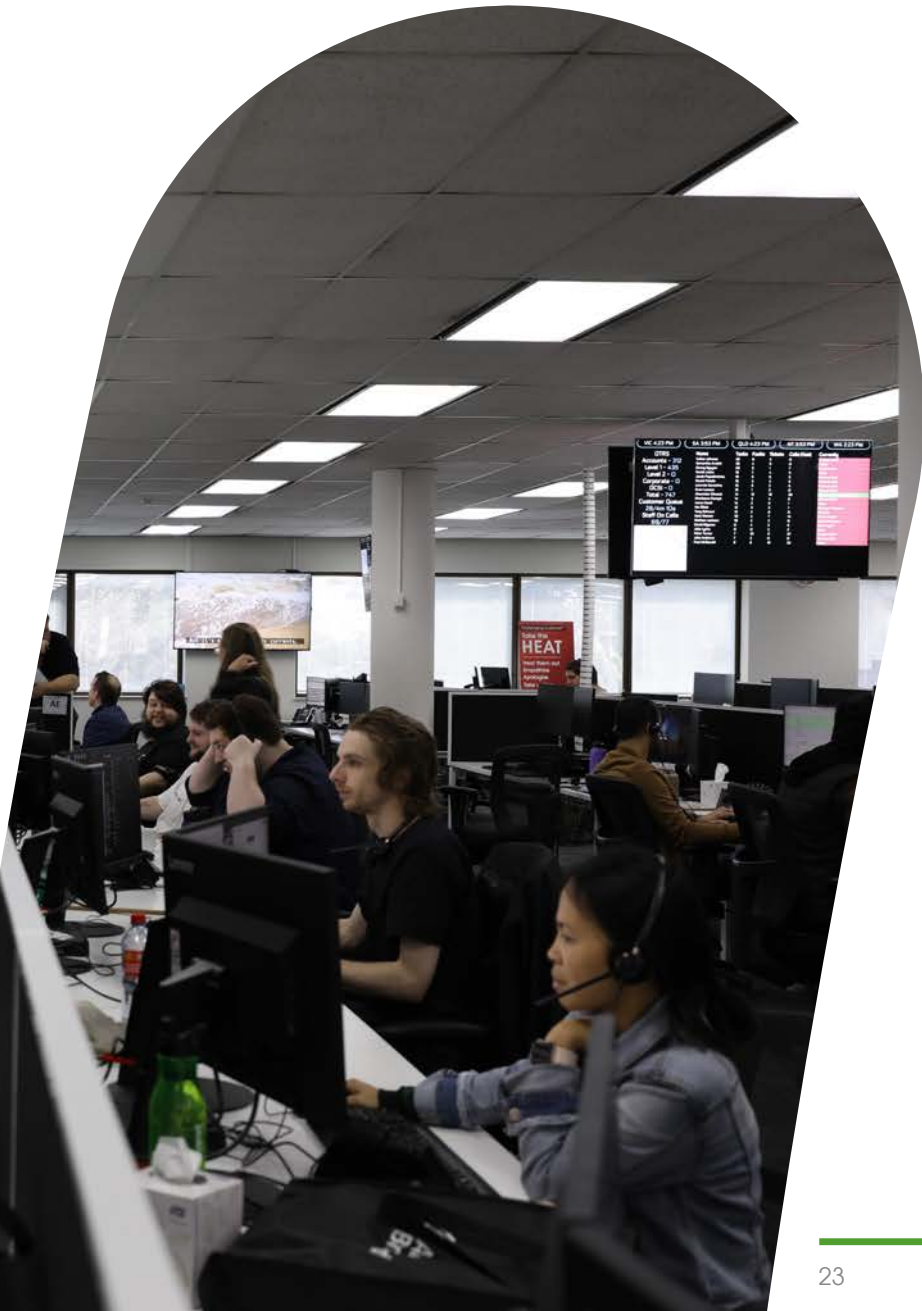
FY23 closing summary



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Closing summary

- **Strong financial performance in 1H FY23** - growth across all key metrics
- **Over the Wire acquisition embedded** - synergies realisation of \$2.2 million in 1H FY23, with full year FY23 estimate of \$5.3 million and on track to achieve \$8-12 million p.a. by FY25
- **Investment for future growth** - disciplined investment in infrastructure and customer growth capex
- **Strategically diverse product portfolio** - shift in revenue and earnings mix to support future growth
- **Expected FY23 financial performance** - Revenue guidance in the range \$780 million to \$800 million (previously \$800 million to \$840 million). EBITDA guidance upgraded to \$85 million to \$90 million (previously a margin of 10% to 10.5%)



Appendices



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Broadband connections by segment

Revised segment broadband connections

	1H FY22	2H FY22	1H FY23
Residential ²	421,909	464,909	494,986
Business ³	38,145	43,125	47,286
E&G	6,577	6,817	7,260
Wholesale	34,769	69,942	85,710
Total	501,400	584,793	635,242

Prior disclosed segment connections

	1H FY22	2H FY22
Residential	422,034	464,979
Business	45,483	53,559
OTW	-	5,929
Wholesale	27,286	60,326
Total	494,803	584,793

Connections revised to be aligned with business model

Proactively managing residential nbn growth strategy

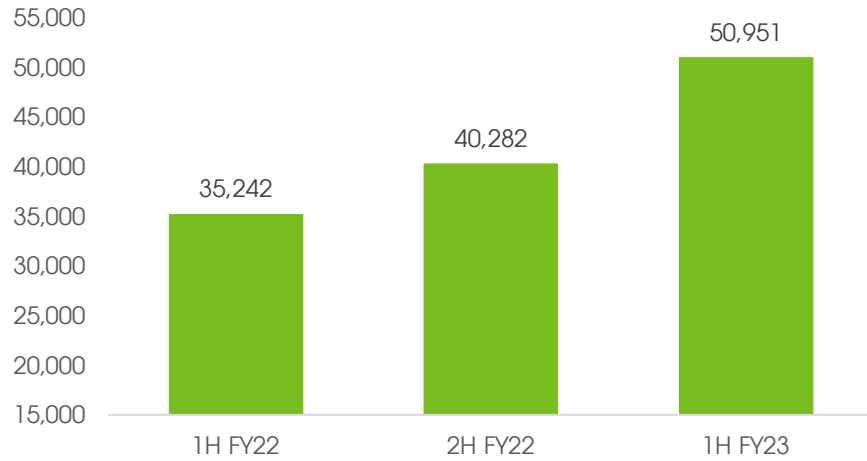
1H FY22 numbers presented on a pro forma basis to include OTW

1. 1H FY22 total connections revised to include OTW connection numbers on a pro forma basis
2. A small number of residential connections have been reclassified to the Business segment under the revised segments
3. A number of Business connections have been reclassified into E&G and Wholesale under the revised segments

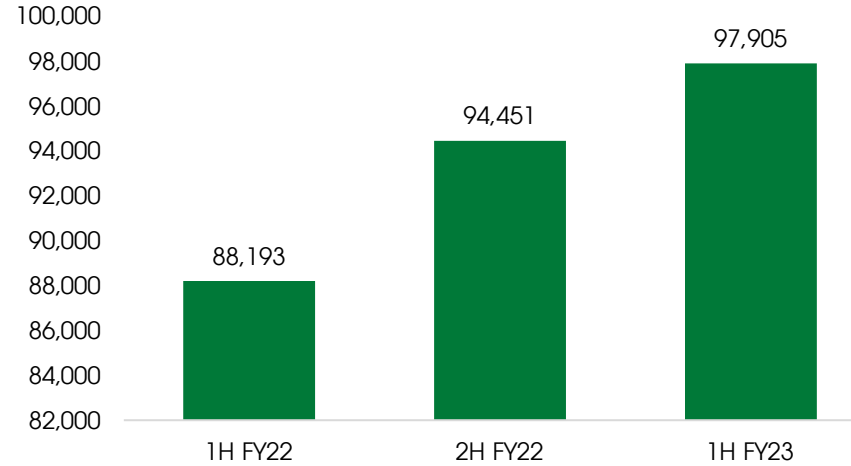


Metrics - mobile, voice and fetch

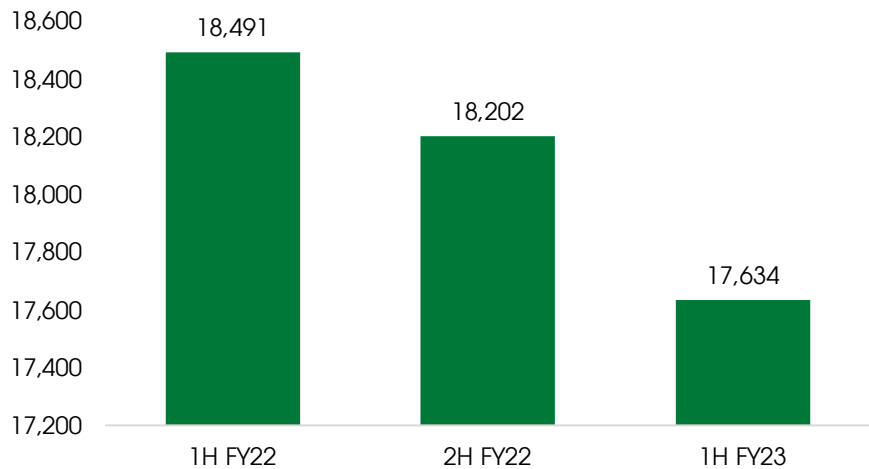
Mobile services



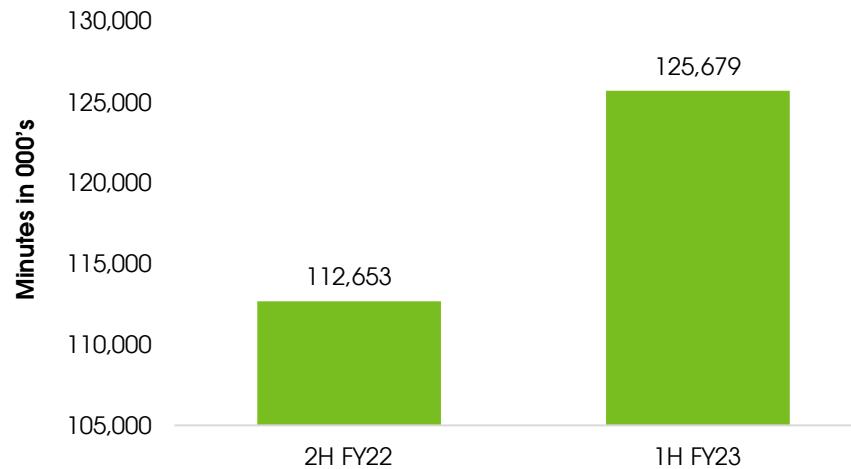
Voice services



Fetch services



NetSIP average monthly minutes



Mobile net additions have almost doubled since 2H FY22

Voice services total 97.9k at 1H FY23

Monthly voice minutes growth of 13m, to 125.7m in 1H FY23



Profit & loss

Summary profit and loss	1H FY22	1H FY23
	\$m	\$m
Revenue	298.6	379.0
Network & hardware expenses	(202.0)	(246.8)
Gross margin	96.6	132.2
Gross margin %	32.3%	34.9%
Employee expenses	(47.4)	(60.2)
Marketing expenses	(16.4)	(15.8)
Administration and other expenses	(10.7)	(15.1)
EBITDA before non-recurring items	22.1	41.1
Non-recurring costs	(1.0)	(0.4)
Depreciation and amortisation	(11.2)	(12.6)
Net interest	(1.0)	(4.2)
Income tax	(2.5)	(7.3)
NPAT before intangibles	6.4	16.6
Amortisation of acquired intangibles	n/a	(11.4)
Tax effect	n/a	3.4
Net profit after tax		8.6

Net profit growth to \$8.6m

Low level of business acquisition and integration expenses

Depreciation and amortisation growth reflective of OTW acquisition

1. Pro-forma 1H FY22 represents aggregated ABB and OTW results for comparable period



1H FY23 – profit and loss by segment

Segment Reconciliation	Residential	Business	E&G	Wholesale	Total
	\$m	\$m	\$m	\$m	\$m
Revenue	243.0	50.0	36.6	49.4	379.0
Network and hardware expenses	(171.0)	(27.0)	(17.4)	(31.4)	(246.8)
Margin	72.0	23.0	19.2	18.0	132.2
Margin %	30%	46%	52%	37%	35%
Employee expenses					(60.1)
Marketing expenses					(15.8)
Administration and other expenses					(15.2)
EBITDA					41.1
Business acquisition and integration expenses					(0.4)
Depreciation and amortisation					(24.0)
Interest expenses					(4.2)
Other revenue					-
Profit before income tax expense					12.5
Income tax expense					(3.9)
Profit after income tax expense					8.6



Balance sheet

Summary balance sheet	Jun-22	Dec-22
	\$m	\$m
Cash and cash equivalents	47.7	33.7
Trade and other receivables	37.2	43.1
Plant and equipment	64.1	83.0
Right-of-use assets	44.3	41.4
Intangibles	416.4	411.8
Other assets	18.8	26.9
Total assets	628.5	639.9
Trade and other payables	53.7	52.1
Contract liabilities	28.2	29.8
Borrowings and lease liabilities	216.7	214.3
Deferred tax liability	50.3	54.0
Other liabilities	10.9	11.6
Total liabilities	359.8	361.8
Net Assets	268.7	278.1

Pro-forma banking covenant leverage ratio <2.0 times

Net assets of \$278.1 million

Plant and equipment, largely made up of fibre assets of \$53m



Definitions

Residential segment

Typically residential or home business customers who require broadband, mobile, voice and fetch services

Business segment

Ranging from small business to lower mid-market requiring a range of telecommunication services that are typically configurable, not customisable

Enterprise & Government segment

For larger business and government customers who require customisable telecommunication solutions across a range of product sets

Wholesale segment

A range of building block products including nbn, Aussie Fibre and NetSIP Voice that allow other telcos, managed service providers and partners build their own solutions for their customers

Residential broadband connections

Includes nbn TC4 and Opticomm/Uniti broadband services supplied to customers in the residential segment

Business broadband connections

Includes nbn TC4, TC2 & TC1, Opticomm/Uniti, nbn Enterprise Ethernet, Aussie Fibre and other carrier ethernet services supplied to customers in the business segment

E&G broadband connections

Includes nbn TC4, TC2 & TC1, Opticomm/Uniti, nbn Enterprise Ethernet, Aussie Fibre and other carrier ethernet services supplied in the Enterprise & Government segment

Wholesale broadband connections

Includes nbn TC4, Opticomm/Uniti, nbn Enterprise Ethernet, Aussie Fibre and other carrier ethernet services and Whitelabel broadband services in the Wholesale segment

Buildings available for connection

Buildings near the existing Aussie Fibre network which can be connected by undertaking additional build work back to an existing network joint



Thank you

Aussie Broadband Limited

Authorised for release by the
Aussie Broadband Board

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