

## **NBN Co FY24 Financial Results**

### **Interim Chief Financial Officer – Richard Cairns**

Thanks Philip – and good morning to everyone on the call today.

As Philip has indicated, I am pleased to say that our financial results for FY24 continue to reflect NBN's solid financial performance and annual growth. The financial results have been audited by the Australian National Audit Office, and our Annual Report, including our financial statements, will be tabled in Parliament in due course.

### **Headline Results Financial Year 24**

On the first slide, you can see the headline results for FY24, highlighting the financial performance for the year, and also the progress we have made as a business when we compare ourselves to the prior year.

I'll provide greater detail on each of these metrics on the following slides, but you can see that we achieved total revenue of \$5.5 billion dollars, which has grown by 4 per cent on the prior year and achieved EBITDA of \$3.9 billion dollars which has grown by 9 per cent on the prior year.

Pleasingly, both of these financial results achieve the guidance that we laid out in our Corporate Plan last year.

The significant improvement in our EBITDA result, not only reflects the solid revenue growth, but also reflects a 5 per cent reduction in operating costs as we deliver ongoing efficiency in both the network and overall business operations.

Capital expenditure for FY24 was \$3.8 billion dollars - an increase of 24 per cent from the prior year – and this represents our increased investment in the nbn network, with greater activity to deliver both the Fixed Line and Fixed Wireless Upgrade Programs.

On the bottom right, we highlight our operating cash flows for fiscal 24. You should note that this excludes the impact of any government grants received in the year, and also excludes ongoing infrastructure lease payments.

Operating cash flows for the year increased to \$3.6 billion dollars, growing 10 per cent compared to the prior year. As you would expect, this increase is in line with our EBITDA growth and demonstrates the Company's strong cash conversion.

## Revenue and customer base

Looking at our Revenue and Customer Base in more detail...

NBN's revenue of \$5.5 billion for FY24 reflects growth across both Telecommunications and Other Revenues.

Telecommunications revenue of \$5.2 billion increased 2 per cent year on year, driven by the continued growth in our customer base, with an additional 50,000 activations in the year, along with growth in demand for premium business products, including Enterprise Ethernet.

At June 2024, **nbn** now has over 8.6 million premises activated on the network. This which represents an increase of 1 per cent when compared to a year ago.

As we expected, the Residential ARPU has remained stable at \$47 year on year and was not materially affected by the acceptance of the Special Access Undertaking.

The increase in Other Revenue to \$281 million dollars in FY24 relates to the recognition of revenue in respect of co-investment projects, including the Connecting Victoria and the Regional Connectivity Programs, and also reflects an increase in revenues received from developers in new developments.

In combination, these items have resulted in an overall increase in revenue of 4 per cent when compared to fiscal 23.

## **Operating expenditure**

Now moving to Operating Expenditure on the next slide...

I am pleased to say that total operating expenses of \$1.7 billion dollars was an improvement of 5 per cent compared to the prior year. This was achieved through ongoing efficiency across the business, which offsets a number of underlying inflationary cost increases.

Within Operating expenditure, Direct Network Costs decreased by 2 per cent which was predominantly due to lower assurance costs, with fewer service incidents and truck rolls during the year, along with ongoing efficiency in our network maintenance and operations.

Employee benefit expenses also decreased in the year by 13 per cent. This was largely due to lower average internal headcount as nbn continues to focus on operating efficiency and optimisation our resourcing.

Other operating expenses remained largely flat in the year, with a minor 1 per cent increase from the prior year. This includes a range of expenditures, including IT software and maintenance, marketing, insurance and facilities costs.

Overall, these other operating expenses have remained relatively steady despite the underlying inflationary pressures that we have experienced.

### **Continuing EBITDA momentum**

Turning to EBITDA on the following slide...

This graph illustrates the continued improvement in our EBITDA result and the trajectory of our EBITDA margin over the past five years. Since the completion of the initial network build in 2020, there has been ongoing growth in our revenue, and also a significant decline in the operating expenditure.

The operating results of the Company reflect the progress that we continue to make to being a mature operating company with increased scale.

EBITDA reached \$3.9 billion dollars for the year, with the EBITDA margin increasing to 71 per cent, up from 68 per cent a year ago.

## Capital expenditure

Now moving to capital expenditure on the next slide....

During the year, we continued to make significant investment in the nbn network to keep ahead of national data demand, including both the roll-out of fixed line fibre deeper into communities, and upgrading the fixed wireless network.

Our capital expenditure in FY24 increased to almost \$3.8 billion dollars, up from \$3 billion dollars in the prior year.

Our capital expenditure can be summarised across the following areas:

- Firstly, we continue to significantly invest in our fibre upgrade program to make more of the existing FTTN and FTTC premises eligible to order an upgrade to FTTP - where NBN has invested nearly \$1.7 billion through the year. This expenditure includes the design and construction of distribution fibre infrastructure, as well as the connection costs to upgrade individual premises via building a fibre lead-in. Fibre upgrade and connection capex has increased by just under \$600 million dollars against the prior year due to the scaling of the network delivery program and a higher volume of customer connections onto the newly available fibre infrastructure.

- We also incurred \$660 million dollars on expanding the nbn network and adding required incremental capacity to keep up with the network traffic demands.

This investment includes the build of new fibre network infrastructure to Business customers through Enterprise Ethernet connections, and also the expansion of the nbn network footprint to New Developments.

- We spent \$541 million dollars in FY24 to continue the delivery of the Fixed Wireless and Satellite Upgrade Program, which is due to be completed by December 2024.

This expenditure has grown by \$259 million compared to the prior year, with a higher volume of tower upgrades and incremental capacity added to the network and remains in line with the fixed wireless investment plans announced in 2022 and is partly funded by the \$480 million received at that time from the Commonwealth.

- Connect and assure capital expenditure increased to \$512 million in the year, up from \$472 million in the prior year. This expenditure relates to ongoing first-time connections and re-connections of premises onto the nbn network, as well as the capitalisation of network assurance activity.

- And finally, we continue to invest in software and systems capability, network security, facilities, and other business enablers, with expenditure in the period totalling \$390 million.

## **Cash flow summary**

Turning to the next slide...

As previously mentioned, the Operating cash flows continue to improve in line with the EBITDA performance of the company – growing from \$3.3 billion in FY23 to \$3.6 billion over the last twelve months.

In line with expectations, in FY24 the Company incurred a free cash out-flow after equity injections of \$1.4 billion dollars.

This compared to a free cash out-flow of \$1.1 billion in the prior year, with the increased outflow predominantly due to the higher capital expenditure payments to deliver the fibre and fixed wireless upgrades - and as mentioned, the cashflow result was in line with our expectation.



During the year, we received over \$771 million of equity funding from the Commonwealth. This amount is part of the commitment to provide up to \$2.4 billion in equity to fund the fixed line upgrade program for an additional 1.5 million homes and businesses previously served by FTTN, with these premises to become eligible for an upgrade to FTTP technology by December 2025.

Free cash flow was also impacted by higher finance lease payments during the period which are subject to CPI-linked increases each year, as well as the effect of higher interest paid on borrowings reflecting the higher debt levels and average rates during FY24.

### **Capital summary**

On the next slide we can see a Capital Summary of our debt and equity funding.....

NBN's capital strategy remains focused on both funding our network investments and maintaining a strong liquidity position.

We raised just under \$6.5 billion in bank and capital markets debt during the year. This included \$3 billion dollars of Green Bond issuances under the Company's Sustainability Bond Framework, and nbn's Sustainability Bond Report for FY24 is now available on our website.

These debt issuances have enabled the company to refinance the final outstanding balance of \$5.5 billion, relating to the \$19.5 billion Commonwealth Government loan.

The weighted average cost of drawn debt has marginally increased during the year to 3.24 per cent, predominantly due to higher market rates on newly issued debt.

We continue to be shielded from the full effect of higher interest rates, due to NBN's policy to hedge a significant portion of our floating-rate debt portfolio, and we continue to monitor and closely manage the interest and foreign exchange risks of our debt portfolio in accordance with our Treasury Risk Policy.

Finally, nbn had committed liquidity of \$2.9 billion at 30 June 2024. This is a lower position than held at June 2023 and reflects the fact that we have now refinanced the Commonwealth loan which was due during the year.

## **FY24 Statutory Results**

On my final slide...you can see the Profit and Loss statement for the full year to 30 June 2024, presented in accordance with statutory accounting principles.

The preceding slides have already covered revenue, expenses and EBITDA in detail.

But I would like to highlight some other results....

Our EBIT result of \$759 million has increased by 39 per cent against the prior year. This is despite a higher depreciation and amortisation expense associated with increased capital expenditure and asset base, and the higher cost also reflects some re-estimation of useful lives of certain network assets.

At a bottom line, we recorded a Net Loss After Tax result of almost \$1.2 billion dollars for the year. This is a decline compared to a loss of \$1.1 billion dollars in FY23.

You will note that this result includes recognition of an income tax expense of \$105 million. This is a non-cash movement in our deferred tax balance and relates to accounting for the fair value movements in our interest rate derivatives. It is a partial unwinding of an income tax gain that was recognised in previous periods.

Net Loss After Tax, if adjusted for this income tax accounting, actually reflects an improvement of almost \$50 million against the prior year.

Overall, nbn continues to be pleased with the financial performance of the business through fiscal 2024 and is in line with the guidance provided in last year's Corporate Plan.

Going forward, we expect that revenue will continue to reflect the growth in use of the nbn network, enabled by products and services that meet the needs of both RSPs and customers.

Alongside further cost efficiency this will enable the funding to re-invest in our network to meet future customer demand, deliver great customer service and to meet our ongoing contractual and funding obligations.

With that, I will hand back to Philip.