

ASX Announcement

25 August 2023

Aussie Broadband achieves record revenue and EBITDA, increases connections across all segments

Aussie Broadband Limited (ASX:ABB) is pleased to announce its financial results for the 12 months ended 30 June 2023 (FY23), showing a continued strong growth trajectory across all segments through executing its FY23 strategy, and meeting the top end of EBITDA guidance with a record result.

Key highlights - FY23 vs FY22¹:

- Revenue increased 23.1% to \$788.0 million
- Gross margin increased to 35.4%, up 2.1 percentage points
- EBITDA increased 52.1% to \$89.6 million
- Operating cash flow increased 147.2% to \$116.7 million
- Total broadband connections increased 18.2% to 691,172 with strong growth across all segments
- Achieved 7.6% NBN broadband market share (excluding satellite), up from 6.5%
- Over the Wire integration progresses as planned, and has achieved \$6 million of run-rate synergies in FY23
- Completed the core fibre network to increase capacity and grow margins, with an additional \$19.1 million investment to support network expansion
- Became the largest Telco in Australia to achieve B Corp accreditation
- Aussie named 'The most trusted telco brand in Australia', receiving 16 awards for excellence in customer satisfaction, service and technology

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

"It's been another successful year for Aussie, marked by strong financial performance, growth across all segments and continued investment in our network infrastructure. Our transition from being a largely residential-focused retail service provider into a multi-faceted communications and technology company underpinned by award-winning customer service is well underway. We achieved strong levels of growth across the board, achieving record revenues and EBITDA, and we are continuing to win NBN market share ahead of other providers.

"Revenue increased 23.1% to \$788 million, driven by strong growth in Residential and Wholesale segments, and accelerating momentum in the Business, and Enterprise &

¹ Prior year comparable (pcp) calculated based on aggregated pro-forma ABB and OTW FY22 results

Government segments. EBITDA increased 52.1% to \$89.6 million as we increased gross margin to 35.4% through our focus on more profitable services and leveraging our recent investment in the fibre network.

“These results underscore the value of our offer in the Australian market and the steps we are taking towards becoming a leading force in the communications and technology sector, powered by our focus on customer experience, technical expertise, infrastructure ownership and grassroots values.

“As one of the most trusted brands in Australia, we are leveraging our reputation in the market and our award-winning customer experience to build relationships across other segments. This speaks to the heart of our approach - a commitment to going above and beyond and keeping our customers at the centre of everything we do.

“During the year we progressed the integration of Over the Wire, aligning our efforts to reshape the telecommunications landscape, with \$6 million in synergies realised. We have continued our long-term investment in building a strong and resilient network, increasing our network’s functionality, resiliency and redundancy. The Aussie Fibre rollout was completed during the year, fulfilling our plan to bring the majority of our backhaul requirements on-net and delivering improved gross margins. As a significant investment project, it was rewarding to see this delivered on time and on budget.

“Importantly, Aussie has also been named a certified B Corp, making us the largest Telco in Australia to achieve this accreditation. Being good to people is at the heart of who we are, and this milestone displays our commitment to being a force for good. We have made an ongoing commitment to Environmental, Social and Governance (ESG) goals, and we are improving our ESG framework which will hold our actions to a higher standard of transparency and accountability.”

Continued growth across all four segments

In FY23, Aussie Broadband increased its market share across all key service sectors and signed major contracts to accelerate the Company to deliver its highest-ever revenue of \$788 million, up 23.1%.

The Company’s gross margin increased to 35.4%, up 2.1 percentage points, while EBITDA increased 52.1% to a record \$89.6 million.

Each segment contributed to the overall result, demonstrating the success of the Company’s diversification strategy.

Revenue (\$m)^{1,2}	FY22	FY23	Change
Residential	415.0	511.8	23.3%
Business	83.3	89.4	7.3%
Enterprise & Government	79.6	86.4	8.5%
Wholesale	62.1	100.4	61.7%
Total Revenue	640.0	788.0	23.1%

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

2. Movement between segments based on revised customer profiles

Data Connections ³	FY22	FY23	Change
Residential	465,249	522,505	12.3%
Business	39,017	47,331	21.3%
Enterprise & Government	9,097	10,871	19.5%
Wholesale	71,430	110,465	54.6%
Total BB Connections	584,793	691,172	18.2%

3. Movement between segments based on revised customer profiles

The **Residential** segment continued to perform strongly despite significant competition in the market, with revenue growth of 23.3% YoY to \$511.8 million. Aussie achieved net connections growth of 12.3%, adding 57,256 new residential connections during the year. The Company continued to capture share of the NBN market, growing 1.1 percentage points to 7.6% (excluding satellite services). In addition, the Company's FY23 focus on high-speed tiers and value-added services resulted in an increase in both average revenue per user (ARPU) and overall gross margin. When combined with careful cost management through our market-leading technology, gross margin in this segment grew 4 percentage points to 31.2%.

Business net broadband additions of 8,314 resulted in 21.3% growth for the year. Revenue grew 7.3% to \$89.4 million for the year, while maintaining a strong gross margin of 47.1% due to the benefits of our network investments.

Increased market awareness of Aussie's capabilities in the **Enterprise & Government** segment has led to over 800 deals being signed in FY23. As a result, total revenue increased 8.5% YoY to \$86.4 million, with a significant gross margin of 51.4%. In addition, the investments in marketing and sales resourcing during the year have resulted in a growing sales and provisioning pipeline, which is expected to convert into revenue in FY24.

The **Wholesale** segment has been a standout and highlights Aussie's innovative product offers and infrastructure support, and the effectiveness of the growth strategy through our white-label product as well as the Tier 1 voice carrier network from the acquisition of Over the Wire. The Wholesale segment grew 61.7% YoY, generating over \$100 million in revenue and a gross margin of 32.2%. Managed service providers continue to be a growth channel with 819 partners now onboarded.

Operational Performance

Fibre build and Infrastructure update

Aussie Broadband has been strategic in its approach to owning and operating its own infrastructure assets and has continued to invest in its nationwide platforms to deliver a first-class customer experience. Following the acquisition of Over the Wire in FY22, the Company is one of Australia's largest infrastructure operators across data, voice and cloud.

Throughout FY23 the Company continued to invest in its national fibre network with an additional \$19.1 million to support increased capacity, redundancy and interconnectivity. We now have a total of 1,426 kilometres of fibre across both metro and regional areas, with 1,719 buildings now able to connect. This investment will support future high-margin Enterprise & Government, and Wholesale segment growth.

In addition, the Aussie's Tier 1 voice network now supports 1.3 million active numbers and carries over 144 million minutes on average each month.

We continued to invest in our cloud strategy and platform in FY23, creating further high-margin growth opportunities, particularly in the Enterprise & Government segment.

Strengthened brand positioning, customer experience and marketing activities

To align with the expansion of Aussie Broadband's revenue and the four diversified customer segments, the Company refreshed its branding in June, unveiling the "Actual Aussie Way." This rebrand encapsulates Aussie's evolution from being solely focused on broadband to a versatile, multi-faceted and multi-segmented telecommunications enterprise.

Alongside the refreshed branding, Aussie relaunched its website with expanded functionality for the Enterprise & Government, and Wholesale segments. The new website is already seeing strong lead generation and conversion. The Company has continued to gain efficiency in its marketing, with an increase of 4.8% YoY in spend compared to an increase of 23.1% in Group revenue.

The Company invested in several initiatives, including increased call centre training, automated fault identification, customer research and call centre quality assurance. These initiatives enabled Aussie to maintain churn at a monthly average of 1.0% for residential customers and 0.6% for business customers.

Maintaining its position as the Most Trusted Telco, Aussie Broadband also secured 16 awards, acknowledging excellence in customer service, technology, and innovation. These accolades underscore our team's unwavering commitment, propelling us to consistently surpass customer expectations and drive innovation across our product offerings.

Responding to NBN's long-term pricing and the SAU

Aussie Broadband continues to actively engage with NBN Co, the ACCC, industry and government in relation to the proposed NBN Co Special Access Undertaking (SAU). Ongoing uncertainty about the nature and the timing of the new SAU requires Aussie to have a range of strategies in development to address all potential outcomes. Once finalised, the changes to wholesale pricing will impact all retail service providers in Australia. An appropriate response balancing the needs of customers and other stakeholders will be determined once the final terms have been evaluated.

Environmental, Social, Governance (ESG) update

In late June 2023, Aussie Broadband achieved B Corp certification, making it the largest telecommunications company in Australia to attain this accreditation. B Corp aims to hold companies publicly accountable to high standards of social, environmental and governance practices to benefit customers, employees and the community. Aussie's B Corp certification highlights our position as a prominent player in the sector and underscores our strong commitment to being good to people.

During the year, we also improved our ESG framework, integrating environmental, social, and governance aspects into our operations. This reflects our commitment to responsible growth, focusing on sustainability, positive social impact, and strong governance. This initiative aligns with our goal to create a better future for our Company, stakeholders, and customers and is part of our ongoing commitment to integrate our values into our operations.

Management team changes

In May, Anna Clive commenced as Chief Information Officer (CIO). Anna brings significant experience to the role, having previously been a senior executive at multiple organisations including Thryv (formerly Sensis) and Deloitte, where she spent nearly ten years as a leader in its strategy and operations management consulting practice.

In July, Brad Parker joined Aussie Broadband as the new Chief Infrastructure Engineering Officer (CIEO). Brad joins Aussie with a wealth of knowledge and expertise following twenty years as an infrastructure executive in Silicon Valley, previously holding executive positions at Google, Cisco Systems, Salesforce and Yahoo!.

As CIEO, Brad will lead the team that delivers critical technology infrastructure, supporting Aussie's exceptional customer experience, technology excellence, and ongoing commitment to delivering outstanding solutions for its rapidly growing user base.

Co-founder and Chief Technology Officer (CTO) John Reisinger, who has led the infrastructure team to date, will be transitioning into a new role focused on innovation.

After seven years in various roles at Aussie Broadband, Matthew Kusi-Appauh (Kusi) will step down as Chief Operating Officer (COO) at the end of 2023. Planned for over 18 months, this will allow him to pursue his desire to travel extensively. Anna has assumed many of Kusi's key responsibilities along with Jonathan Prosser, who has been with the Company for over 12 months. A managed transition will continue to the end of the calendar year.

The Company had planned to announce the appointment of a new female Director, however due to unforeseen circumstances this could not proceed. We are committed to increasing the diversity of our Board and have recommenced the recruitment process.

Trading Update FY24

Aussie Broadband has had a strong start to FY24, with broadband services increasing to over 715,000 in the last 7 weeks of trading.

With the Company currently in the early stages of FY24 there is uncertainty around market conditions, particularly regarding NBN Wholesale pricing. In addition, there are several potential upside opportunities and downside risks as outlined in the investor presentation released today.

The current market dynamics are challenging, particularly in the residential segment due to uncertainty regarding the NBN SAU and aggressive discounting by some competitors. While we will continue to find ways to compete, Aussie Broadband will not chase growth at any cost, and is focused on striking the right balance between growth and profitability.

Our Enterprise & Government pipeline continues to grow steadily, and we look forward to securing new customers in FY24.

Market Guidance FY24

Based on current market conditions, operating plan, pipeline, and trading to date, we expect financial performance for FY24 to be in an EBITDA range of \$100m to \$110m, which is an increase of 12%-23% on FY23. We also provide capex guidance of \$47m to \$52m, which is primarily dependent on customer demand for Aussie fibre.

The guidance assumes implementation of the new SAU on 1 December 2023, and is subject to confirmation of the final SAU details, industry reaction to the new arrangements,

and prevailing market conditions. While uncertainties persist, we are confident in our ability to navigate the evolving landscape and continue our journey toward success.

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

"Our guidance for Aussie Broadband's FY24 results highlights the momentum in our business and our growth trajectory across our four segments. I am excited by the new additions to the team across all levels and looking forward to exploring new avenues to expand on our ability to change the game.

"Our world-class infrastructure, award-winning customer service, and leading technology remain the foundation of our business. We're resolute in our pursuit of sustainable growth and achieving our strategic goals to cement Aussie Broadband's position as a leading force in the telecommunications space."

Investor briefing at 10:00am AEST today

A briefing session with Co-founder and Managing Director Phillip Britt and acting CFO Gurjit Mann (who will step in for CFO Brian Maher while he is on leave), along with an opportunity for questions, is being held for investors and analysts at 10:00am (AEST) today.

To participate, please register via: <https://sl.c-conf.com/diamondpass/10029525-10jkqv.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 5th 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/>