

# **OptiComm Limited**

2019 Annual general meeting

Meeting script

The Business Centre, Collins Square, 727 Collins Street Melbourne VIC 3000

12pm (AEDST) | Friday, 22 November 2019

# 1. Chairman's address

## **Open and welcome**

Good afternoon ladies and gentlemen. My name is Allan Brackin, and I am the chairman of OptiComm Limited. On behalf of the OptiComm board, I welcome you to the first annual general meeting of OptiComm.

The time is now 12pm. I have been advised that a quorum is present, and as such, I formally declare this meeting open.

## **Meeting overview**

This afternoon I will provide a brief overview of our business and achievements during the 2019 Financial Year. Our CEO and managing director, Paul Cross, will then provide an operational update and key results for 2019 as well as provide an outlook for the 2020 financial year. We will then move to the formal business of the meeting and the resolutions for your consideration. In addition to receiving the financial statements for 2019 financial year, there are four resolutions being put to shareholders for consideration as set out in the notice of meeting. After the meeting we invite you to join us for refreshments outside.

## **Introductions**

Firstly, I would like to begin by taking this opportunity to introduce you to the other members of the Board here today. Mr Paul Cross, chief executive officer and managing director and our other non-executive directors, David Redfern, Ken Ogden, Greg Adcock and Jennifer Douglas. Ken chairs our Audit and Risk Committee whilst Jennifer chairs our Remuneration and Nomination Committee.

Also present today are key members of the OptiComm management team, including chief financial officer and company secretary, John Phillips.

We are also joined by Cameron Henry representing our auditor, BDO, and Louisa De Bella, representing our legal advisor, Talbot Sayer Lawyers.

Representatives from our share registry, Link Market Services are here to register all attendances and assist with voting on the resolutions. Please see the Link representatives at the registration desk if you have not yet registered your attendance or received a voting card.

## **2019 in review**

2019 has been an exciting year for Opticomm.

Our FY2019 results have set a solid platform for business growth in the coming years. This growth is driven by the ever-increasing consumer appetite for internet connectivity which requires fast and reliable bandwidth services within residential, commercial and retail market segments. In FY2019, 88% of all data consumed was by fixed line services.

As at 30 June 2019, OptiComm had installed fibre network infrastructure to over 106,000 lots in 245 estates and buildings across Australia. Over 76,000 dwellings built on these lots are connected to the OptiComm networks, with over 60,000 of these dwellings receiving active internet, telephone and other telecommunications services provided by Retail Service Providers. OptiComm receives a monthly recurring wholesale access charge for use of its fibre network infrastructure from these providers.

OptiComm expects organic growth to continue, supported by the growing consumer demand for high-speed broadband and ongoing demand for fixed-line fibre telecommunications infrastructure. This growth is also supported by regulation requiring the installation of fibre network infrastructure in new residential developments.

Leading this growth, OptiComm has a strong and experienced management team and Board, with highly relevant telecommunications industry experience across various areas of the business.

As you are aware during FY2019 the Board decided to list the company on the Australian Securities Exchange with an Initial Public Offering document released in July 2019, with a listing date of 22 August 2019. We are confident that the company is well placed to take this step and we believe it will be beneficial to all shareholders,

We remain open to quality acquisition opportunities where we can leverage our core telecommunications infrastructure and obtain operational synergies. Subject to other capital requirements, the Board remains committed to paying annual fully franked dividends.

I am truly excited to be working with OptiComm as Chairman. The OptiComm business has strong growth prospects in a dynamic industry.

On behalf of my fellow directors and the OptiComm management team, I would like to thank both our existing shareholders and new shareholders who have joined us since the IPO for your support and we look forward to your continued involvement with OptiComm.

I would now like to hand over to our CEO and Managing Director, Paul Cross, to give you an update on our business and performance during 2019 as well as an outlook for the 2020 financial year.

## 2. CEO's address and presentation

Thank you Allan and I would like to add my welcome to everyone here today.

By any measure the past year has been an outstanding success for OptiComm with continued expansion of our networks.

Our continued growth and success would not be possible without the efforts of the whole OptiComm team and I would like to take this opportunity to thank all of them for their continued commitment and dedication.

### FY2019 Highlights

We have had another very successful year, again exceeding most of our financial and operational KPI's including:

- Revenue up 10%
- NPAT up 18%
- Constructed lots for FY2019 over 18,000
- As at 30 June 2019:
  - Active premises were over 60,000
  - ARPU was \$49.19
  - Our contracted pipeline was over 100,000 lots with a further 25,000 lots in progress

At a more detailed level our revenue growth was underpinned by a year on year increase in our network operating revenue of 38%, with margins in this area of the business remaining strong and contributing to our NPAT growing by 18%.

In FY2019:

- Our 18,689 constructed lots were a 31% increase over the PCP.
- Our ARPU of \$49.19 was a 9% increase on the PCP

- Our end of year active premises of 60,187 reflected new additions of over 12,500 premises in the financial year.

Moving forward, with a significant pipeline of sold work across both broadacre and multi dwelling sites, we are again well placed to achieve our forecast targets for FY2020.

Once again, our operating cash flow increased over the PCP which enabled us to continue to invest in expanding our network, improve redundancy and efficiency which will contribute to a continued increase in our recurring network wholesale revenue. In relation to this, it is pleasing to note that our network wholesale revenue continues to grow as a proportion of our total revenue and in FY2019 was the largest single revenue source.

#### Outlook and trading update

OptiComm's current focus remains on connecting premises within new undeveloped estates (termed Broadacre) and new Multi Dwelling Unit developments to a broadband fibre network by working with developers to install high-speed, multipurpose fixed-line network infrastructure to these developments during the construction phase.

OptiComm's growth is also supported by continued demand for property in Australia's capital cities, where new Broadacre developments and Multi Dwelling Units are typically located.

Drivers of residential market growth include:

- population growth including immigration levels;
- government policy settings such as decentralisation and regional development;
- demographic shifts such as 'downsizing' and attraction to inner city living;
- government programs such as first home buyer incentives and stamp duty relief; and
- credit availability and interest rates.

Overall market conditions for the financial year to date remain steady.

The broadacre market has been challenging, however we are still experiencing consistent demand with most of our developer clients. Indicators are for an improving market with increased demand as consumer credit becomes more available. Additionally, first home buyer schemes at both the Federal and State level are also expected to further drive demand. The apartment market continues to be increasingly competitive with both fixed line and wireless operators competing aggressively to acquire market share. Our focus in this sector remains in the medium to high end part of the market where quality and depth of service offer are of more importance.

A newer area of focus for us is the Independent Living Unit or otherwise known as "Lifestyle Communities" segment of the market with forecasts indicating that the number of residents in these communities will grow annually by 18,000 between 2017 and 2025.

I am pleased to note that we have over 30 Retail Service Providers on our network, and we are confident of adding an additional "tier 2" RSP in the new year which will add more depth to our RSP offering across our various communities.

In relation to the "Bush Tax" legislation, the Bill is yet to be tabled in Parliament.

On contracted lots, we have signed over 12,500 lots for the financial year to end of October. This has been achieved with growth in our market share of the MDU sector along with nearly 1,000 lots contracted this financial year to date in the independent living unit sector.

On our network wholesale revenue, ARPU at the end of October was up 2% over June 2019. New active premises are currently tracking in line to achieve our full year forecast outlined in our prospectus. Margins in this part of the business remain in line with our forecasts.

On construction, our lots in progress are higher than this time last year and we currently expect to achieve our FY2020 completed lots target outlined in our prospectus. We are experiencing a mix change as the market conditions to date for broadacre and MDU's are panning out different than prior year and forecasts. However, with recent market changes and initiatives discussed before, we expect to see this trend ease in the second half of FY20. We are encouraged as a number of our broadacre clients are well advanced in the planning, construction and delivery of stages in residential estates and they can move quickly to market.

Overall, our current trading position and outlook is supportive of the forecasts outlined in our prospectus.

In summary, we have outstanding teams in all areas of our business and across all our operating locations. Their commitment and dedication to outstanding customer service and going the "extra yard" has contributed significantly to our success. I would also like to thank the Board for their on-going contributions and also to our shareholders for continuing to support our business.

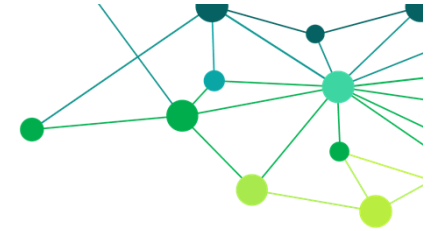
Thank you. I will now hand back to Allan.



# ANNUAL GENERAL MEETING OPTICOMM LTD

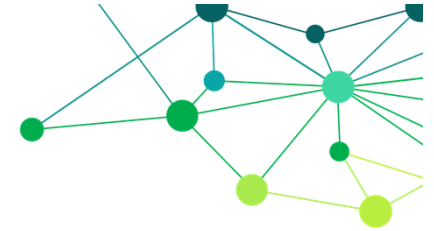
22 NOVEMBER 2019

# AGENDA



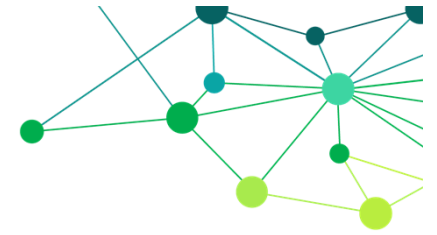
- Welcome
- Introduction from the Chairman
- Presentation from the Managing Director/CEO
- Questions
- Formal items of business
  1. Financial statements and reports
  2. Remuneration Report
  3. Appointment of Company Auditor
  4. Re-election of Director
  5. Performance Rights

# Welcome and Introductions



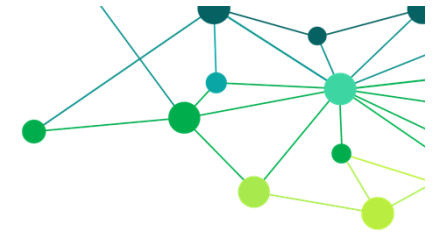
- Board of Directors
- CEO and CFO/Company Secretary
- Executive Team representatives
- Auditor – Cameron Henry (BDO Audit)





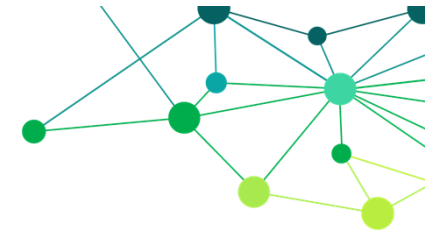
## Introduction from the Chairman

# Introduction from the Chairman

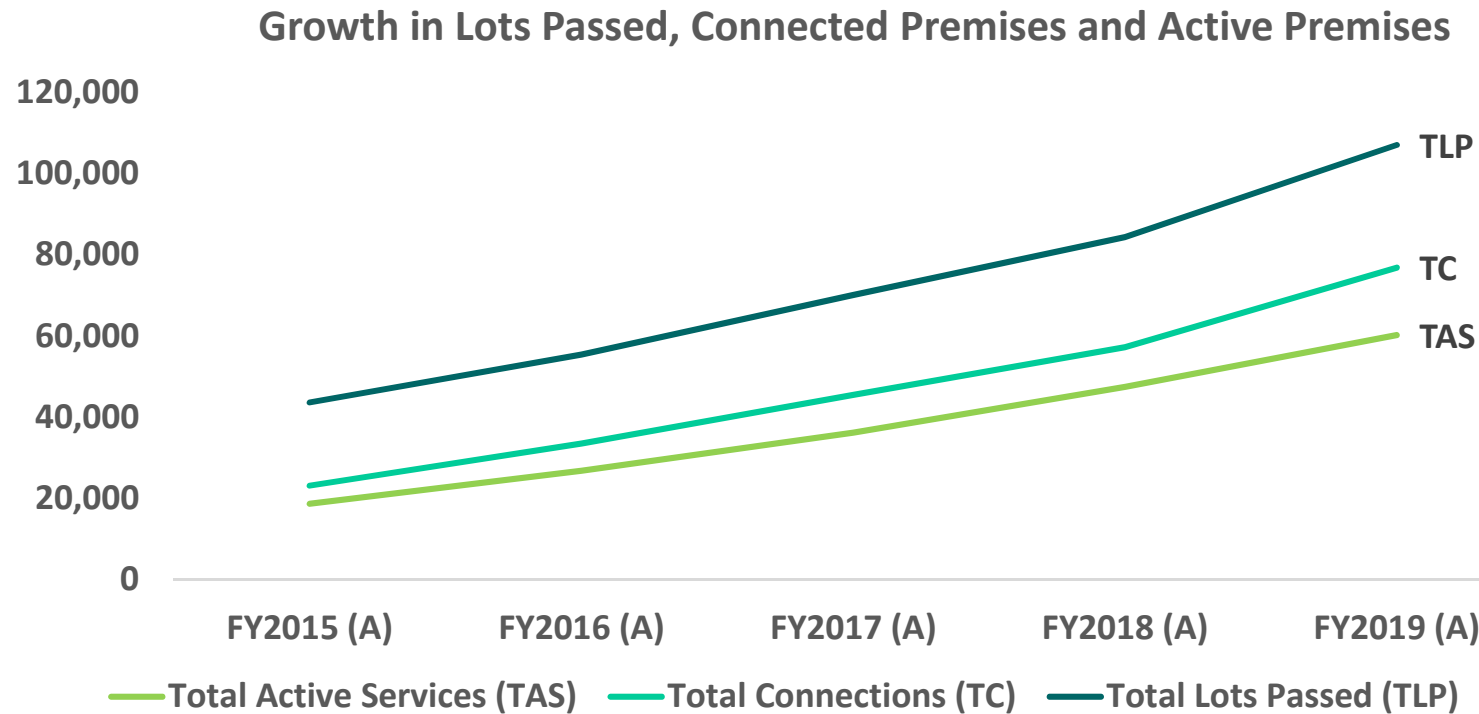


- Welcome to our shareholders, staff and other stakeholders
- FY2019 was an exciting year for Opticomm
- Our FY2019 results have set a solid platform for growth in the coming years
- In FY2019, 88% of all data consumed was by fixed line services\*

# Introduction from the Chairman

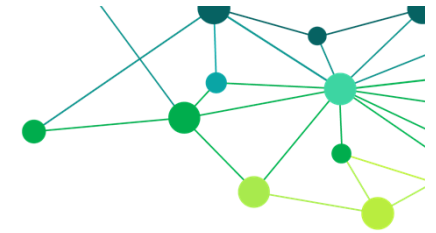


Our growth is being driven an ever increasing appetite for internet connectivity requiring fast and reliable fixed line fibre services.

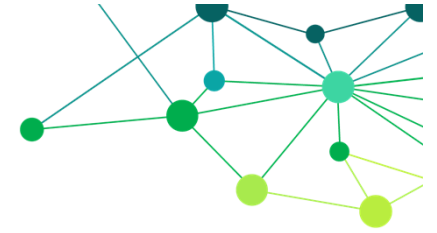


With a strong pipeline of contracted work we expect to continue to deliver year on year organic growth.

# Introduction from the Chairman

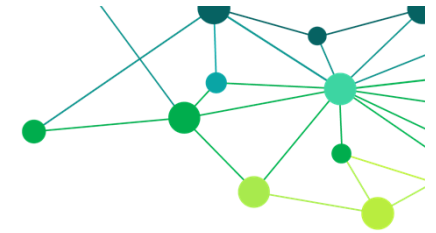


- In August 2019 we completed a successful IPO
- Subject to other capital requirements, the Board remains committed to paying annual fully franked dividends
- We remain open to quality M&A opportunities, particularly where we can leverage our core telecommunications infrastructure and/or obtain operational synergies
- Congratulations and thank you to my fellow Board members, all our staff and our clients and partners in contributing to our success



## **Presentation by the Managing Director/CEO**

# FY2019 HIGHLIGHTS



**Revenue:**

**Up 10%\***

**NPAT:**

**Up 18%\***

**Active  
premises:  
60,187**

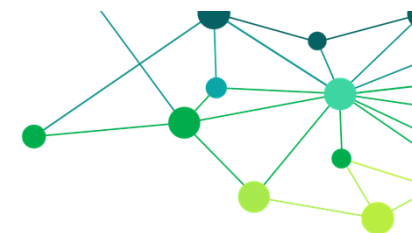
**June 2019  
ARPU:  
\$49.19 (pcp  
\$44.98)**

**Contracted  
pipeline and  
WIP:  
Over 125,000  
lots**

**Constructed  
lots in FY19:  
18,689**

\* Pro forma

# FY2019 FULL YEAR RESULTS - DETAIL



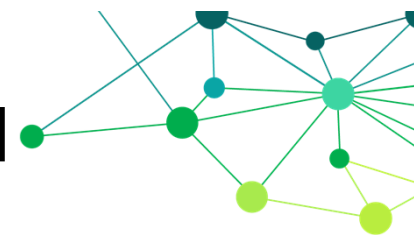
Profit and Loss - \$A millions (pro forma)	FY2019	FY2018
Revenue	\$62.26	\$56.54
EBITDA	\$34.14	\$28.92
NPAT	\$20.22	\$17.10

- Revenue up 10%, with strong growth in network operating revenue (up 38%)
- Construction revenue reduced on prior year
- NPAT up 18% with margins on network operations remaining strong

- Constructed lots up 31%
- ARPU continues to increase as consumer bandwidth requirement grows
- Active Service additions of over 12,500 – of these the majority joined on 50mbps and 100mbps speed plans
- Increase in overall contracted pipeline

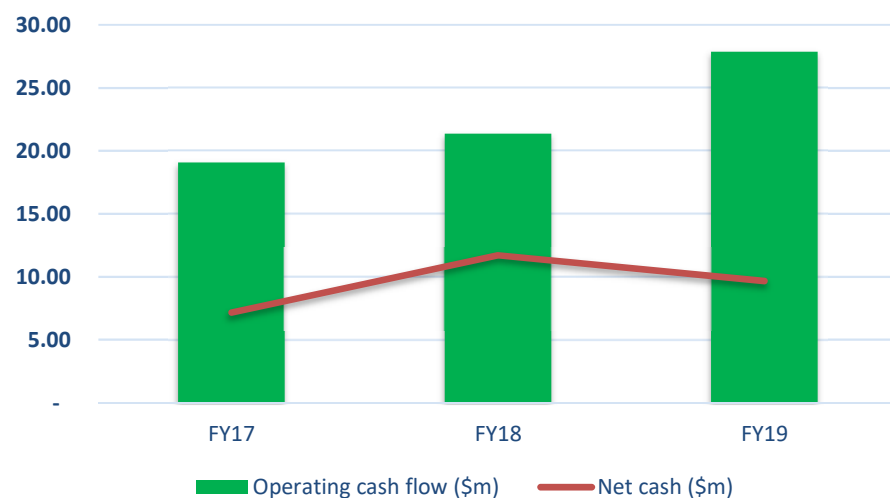
Other	FY2019	FY2018
Constructed lots	18,689	14,298
ARPU at June	\$49.19	\$44.98
Active network users (EOY)	60,187	47,673
Pipeline of contracted lots and WIP	~125k	~100k

# FY2019 FULL YEAR RESULTS – CASH FLOW SUMMARY (statutory)



- Operating cash flow remained strong
- Continued investment in network infrastructure to expand the network, improve redundancy and efficiency and drive increased recurring revenue

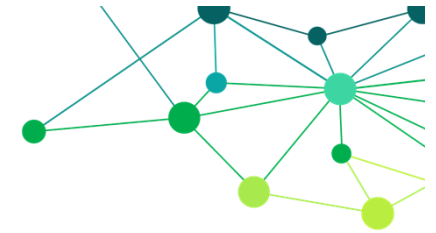
## Cash Flow Analysis FY17-FY19



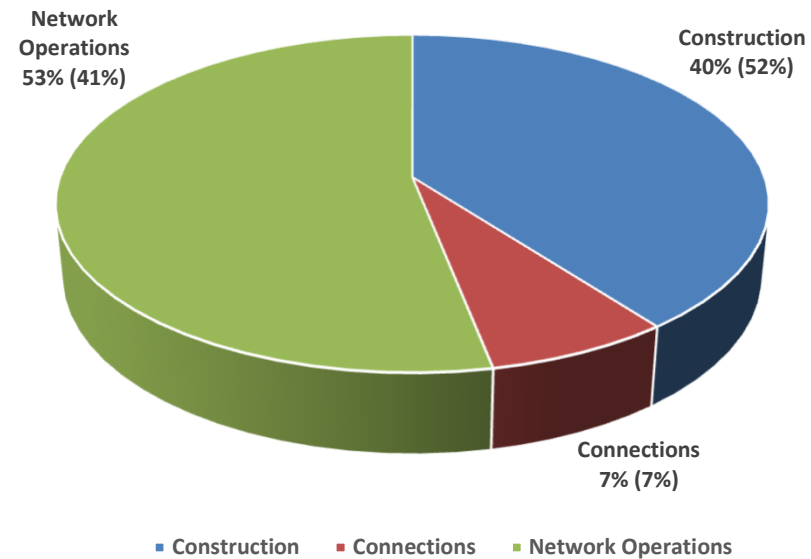
Opening Balance		\$11.7m
Operating		
Net operating inflows	35.2	
Net interest received/(paid)	0.1	
Income tax paid	(7.5)	
<b>Operating cash Flow</b>	<b>27.8</b>	
Investing		
Network and other capex	(18.4)	
<b>Total investing</b>	<b>(18.4)</b>	
Financing		
Dividends	(12.0)	
Other	0.5	
<b>Total Financing</b>	<b>(11.5)</b>	
Closing Balance		\$9.6m



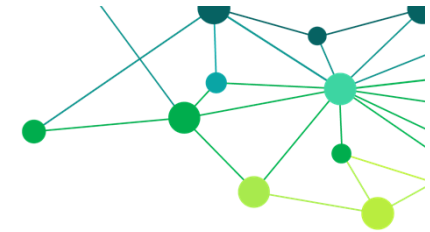
# Revenue Analysis



- Network Operations revenue has increased due to an increase in Active Services and ARPU
- Construction revenue as a proportion fell due to sell price competition and a mix change between MDU's and Broadacre
- Connections revenue consistent with prior years (as a proportion of total)

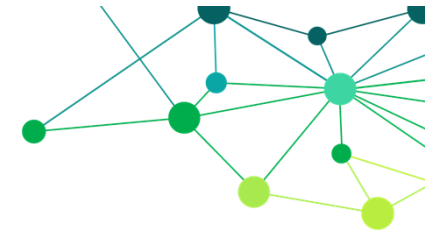


# FY2020 update



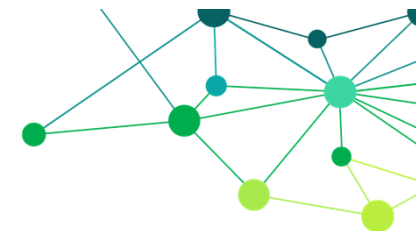
- Overall market conditions
  - Broadacre market has been challenging, however we are still experiencing consistent demand with most of our developer clients
  - Indicators are for an improving market with increased demand as consumer credit becomes more available
  - First home buyer schemes at the Federal and State level are also expected to further drive demand
  - MDU market increasingly competitive as both fixed line and wireless operators compete for market share – our focus is in the mid to high end MDU sector
  - Independent Living Unit (ILU) market continues to grow and we have a dedicated sales team for this market

# FY2020 update



- Panel of Retail Service Providers (RSP's)
  - OptiComm has over 30 RSP's (the most of any fixed line provider outside NBN Co)
  - Expect to add another “tier 2” RSP to our panel in the New Year
- “Bush tax” legislation
  - Draft legislation yet to be tabled in Parliament
- Contracted lots
  - 12,500 additional contracted lots to end October
  - Grown market share in MDU sector
  - ILU sector – ~1,000 new lots contracted to end October

# FY2020 update



- Network revenue
  - ARPU at end October up 2% on June 2019
  - Active users currently on target to achieve full year forecast
  - Margins (%) in line with forecast
- Construction revenue
  - Lots in construction (WIP) ahead of the PCP; currently expect to achieve FY20 constructed lots target
  - Higher mix of MDU's in YTD constructed lots; expect this trend to ease in the 2H FY20
- In summary, our current trading position and outlook is supportive of the forecasts outlined in our prospectus

# QUESTIONS

