

ASX Announcement

1 August 2022

Aussie Broadband 4Q FY22 trading update

Key highlights:

- FY22 expected to generate EBITDA at the top end of the existing guidance range of \$38 million to \$39 million (inclusive of the contribution from Over the Wire).
- Total broadband services increased by 35,882 (or 7%) to 584,793 (including Over the Wire) over 4Q.
- Comparing progress for FY22, total broadband services were up 46%
 - Residential broadband services up 28% to 464,979
 - Business broadband services up 68% to 59,488 (including Over the Wire)
 - Wholesale and white label broadband services up significantly to 60,326
 - Increased share of NBN services (excluding Satellite) to 6.46% from 4.74% in 4Q FY21
- Fibre Project 90% complete – with over 105 of 121 NBN Points of Interconnect links migrated to the Aussie fibre network & 100G regional Telstra wavelength network – expected to generate \$13.5 million in year-on-year cost savings.
- Aussie Broadband named “The most trusted telco brand in Australia” by Roy Morgan in their annual “Most trusted and distrusted brands” research.

Aussie Broadband Limited (ASX:ABB) is pleased to provide the following trading update for the quarter ended 30 June 2022 (4Q FY22):

	Quarterly performance – active services						
	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	QoQ % Change	YoY % Change
Residential	363,455	396,452	422,034	446,814	464,979	4%	28%
Business – ABB	35,466	40,135	45,483	49,972	53,559	7%	51%
Business – OTW					5,929	N/A	N/A
Wholesale	2,144	9,460	27,286	52,125	60,326	16%	2,714%
Total Broadband	401,065	446,047	494,803	548,911	584,793	7%	46%
Voice	79,982	84,146	88,204	92,030	94,438	3%	18%
Mobile	25,706	29,560	32,207	34,985	37,996	9%	48%
Fetch	16,196	18,101	18,489	18,381	18,197	-1%	12%
Managed	2,695	2,714	2,743	2,776	2,822	4%	7%
Total Services	525,644	580,568	636,446	697,083	738,246	6%	40%

Note: A large number of Over the Wire's 16,000 customers are voice, security, and cloud customers. Over the Wire has a total of 8,078 data & broadband services of which 2,149 are on the Aussie Broadband network. The remaining 5,929 are off net with other carriers and will be progressively migrated to the Aussie network where possible. The 2,149 on-net are represented in the Business-ABB segment. Other Over the Wire non data & broadband services have been excluded from this table.

Commenting on the 4Q FY22 performance of the business, Aussie Broadband co-founder and Managing Director Phillip Britt said:

“Total broadband services increased by 35,882 to 584,793 over the fourth quarter of FY22 up 7%. Comparing the progress over the full 12 months of FY22, total broadband services were up 46%.

“We are pleased with this result given the third quarter challenges we faced, and have been very focused on addressing over the past three months. Pleasingly, TV marketing has recommenced at customer acquisition costs more reflective of historic levels, and our call centres are returning to their previous strong customer service levels in terms of wait times.

“The acquisition of Over the Wire has bolstered Aussie Broadband’s business segment product and skills capability. It added 16,000 business, enterprise, government and wholesale customers. The integration is progressing as planned and we have already started generating revenue synergies from the combination of the two businesses, including two large regional health alliance and shire council deals recently signed.

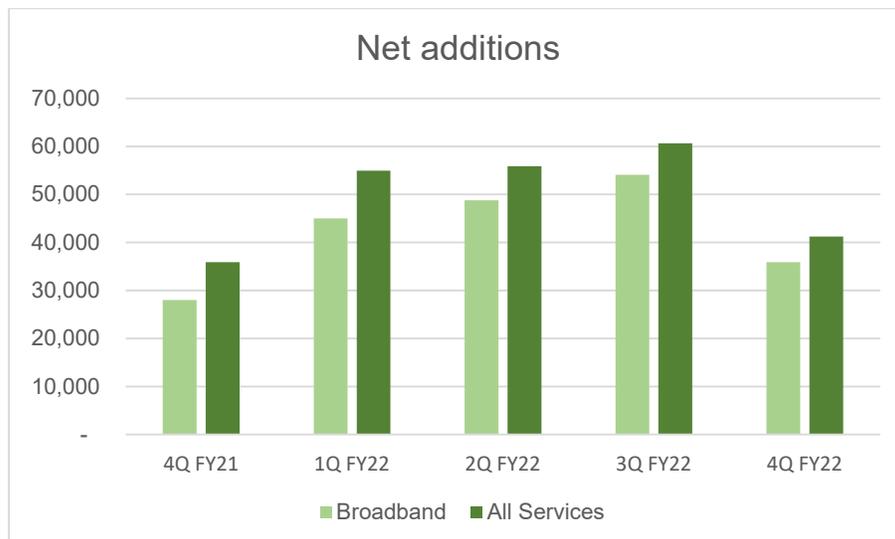
“Synergies relating to the migration of Aussie voice traffic onto the Over the Wire tier 1 voice network have yielded \$2.9 million in annualised savings, higher than our original investment case. A further annualised \$2.3 million in other run rate synergies have been achieved, taking the total cost synergies achieved to date to \$5.2 million annualised. Our investment case of \$8 million to \$12 million of annualised cost synergies remains unchanged.”

Total broadband services up 46% to 584,793 over FY22

Total broadband services increased by 35,882 (or 7%) to 584,793 over 4Q FY22 including Over the Wire. Comparing progress over FY22, total broadband services were up 46%.

Total broadband services (ex Over the Wire) were slightly below the previous guidance provided of 580,000 to 585,000 due largely to the reduced level of marketing investment through the Federal election period during 4Q FY22.

Aussie Broadband’s NBN market share (excluding satellite) is expected to be 6.46% at 30 June 2022, up from 6.19% at 31 March 2022.



Residential broadband services up 28% to 464,979 over FY22

Net residential broadband additions for 4Q were 18,165, bringing the total number of active residential broadband services to 464,979, up 28% in FY22.

TV advertising recommenced immediately after the Federal election campaign, and took several weeks to return to previous lead generation levels. Cost to acquire and promotional activity during the

quarter was at the lower end of the Company's return thresholds as it reset post-election and has continued to improve.

In 4Q FY22, the Company focused on addressing the previous quarter's call centre wait time issues. Over the June quarter and into July, hiring of additional call centre staff has returned staffing back to required levels, and agent to customer ratios have also returned to expected historic levels. As a result, call centre wait times reduced by two thirds in 4Q compared to 3Q.

Customer churn maintained similar levels to 3Q, and additional work is being undertaken to further understand its underlying drivers in order to reduce churn to historic levels.

In May, Aussie Broadband was named "The most trusted telco brand in Australia" by Roy Morgan in their annual "Most trusted and distrusted brands" research.

Business broadband services up 68% to 59,488 over FY22

Net business broadband additions were 3,587, and with the additional of 5,929 Over the Wire services, brought the total number of active business broadband services to 59,488, up 68% on 30 June 2021.

At the beginning of 4Q, Over the Wire commenced moving new orders for NBN business services to Aussie. Migration of Over the Wire's existing NBN business services from other providers onto the Aussie Broadband network is well advanced and is expected to be completed during 1Q FY23. This will improve margin and also improve fault restoration times.

Wholesale and white label broadband services up significantly to 60,326 over FY22

Wholesale and white label net additions for 4Q were 8,201. 4Q growth in this segment is primarily organic, with the migration of the Origin customer base completed early in that quarter. The total number of active wholesale and white label broadband customers at 30 June 2022 was 60,326, up significantly over FY22.

Wholesale revenue synergy opportunity from Over the Wire

Over the Wire has over 250 partners that primarily take voice services, and the combined group has commenced offering Aussie Broadband data services to these partners for their end customers. Similarly, Aussie Broadband has over 400 Managed Service Provider partners and they are being offered Over the Wire's NetSip voice platform.

A number of partners are now purchasing broadband or voice services where they had not purchased those services before from either company. If this continues as expected, the opportunity will generate further revenue synergies over time and higher margins through additional traffic on the company's tier 1 voice network.

Aussie Fibre Project 90% complete and expected to generate \$13.5 million of year-on-year savings

Construction of Aussie Broadband's Fibre Project is nearing completion, and remains on budget. A number of 4Q weather events delayed the final 10% completion into 1Q FY23.

State	Completed	Under Construction	Total POIs & DCs
VIC	29	4	33
NSW	27	3	30
ACT	2	1	3
QLD	16	3	19
SA	8	0	8
WA	14	0	14
Total	96	11	107

The migration off existing Telstra backhaul agreements onto the Aussie Broadband fibre network is continuing, and the Company continues to expect this work to be completed in 1Q FY23. Over 105 of the 121 POIs have been migrated to the new Aussie fibre network and regional POIs upgraded to 100G via new Telstra backhaul services. Once all POIs have been migrated and linked to the new networks, this initiative is expected to generate \$13.5 million of year-on-year savings.

Further opportunities to expand the Aussie fibre network and number of connected buildings have been identified. This expansion program will provide further margin improvement by migrating existing business and enterprise customers off other carriers directly onto the Aussie fibre network.

By increasing the number of directly connected buildings it will also provide opportunities to generate new sales by targeting potential customers in those multi-tenant buildings. Connecting a second customer within an existing building is approximately 80% lower in capex compared to the first customer.

Construction of additional fibre and migration of existing customers on other carriers will commence 1Q FY23 and is expected to continue throughout FY23 and FY24.

Integration of Over the Wire progressing as planned, with \$8 million to \$12 million of synergies targeted

Integration of Over the Wire is progressing well and from 1Q FY23 a new operating structure has commenced with one team, one budget and one goal – to become the 4th largest provider of communications & technology solutions in Australia.

Aussie's one team approach will see all reporting from 1Q FY23 reflect this, with the Company reporting in the segments of residential, business, enterprise & government, and wholesale & channel.

With the integration progressing as planned, synergies from the combination of the two businesses have already started to be generated. Two large regional health alliance and shire council deals were signed in early July as revenue synergy opportunities are executed on.

A total of \$5.2 million in annualised synergy savings have already been achieved, including synergies relating to the migration of Aussie voice traffic onto the Over the Wire tier 1 voice network yielding \$2.9 million in annualised savings (higher than in our original investment case). Investment case annualised synergies target of \$8 million to \$12 million remain unchanged.

CVC & NBN pricing

On Wednesday 27 July 2022 it was announced that The Hon. Michelle Rowland MP (Minister for Communications) had instructed NBN to withdraw its proposed Special Access Undertaking (SAU) lodged with the ACCC, calling for a reset of the process and a rethink of NBN's pricing approach. As part of the request, the Minister instructed NBN to put in place interim pricing arrangements from 1 December 2022 when current industry agreements expire, and to have a final pricing structure in operation by 1 July 2023.

Aussie Broadband welcomes the Minister's intervention, and looks forward to continuing working with NBN, the ACCC and other stakeholders to create a sustainable pricing structure that provides certainty to the industry and consumers, and removes volume-based charging like the CVC (Connectivity Virtual Circuit).

FY22 EBITDA guidance

Based on unaudited financials, the Aussie Broadband group (including the contribution from Over the Wire since acquisition) expects to generate EBITDA at the top end of the existing guidance range of \$38 million to \$39 million.

Further information on Aussie Broadband's operating and financial performance over FY22, and outlook for FY23 and beyond, will be released on Monday, 29 August 2022.

Investor conference call at 9:30am AEST today:

An investor conference call will be hosted by Phillip Britt (Co-founder & Managing Director) and Brian Maher (CFO) at 9:30am AEST today.

Those wishing to dial into the briefing, need to pre-register via the following link: <https://s1.c-conf.com/diamondpass/10023333-sj8wsa.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 and is based 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/>