



Media release

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NBN Co closes first quarter with strong momentum on activations and earnings growth

Performance summary for the first quarter of FY2021 ended 30 September 2020:

- Key performance metrics meet Corporate Plan 2021 forecasts
- Total revenue of \$1.07 billion for three months to 30 September 2020, up 22 per cent on the corresponding quarter last year
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$102 million, compared to a loss of \$435 million in Q1 FY2020
- 7.66 million premises connected to the network, with 388,000 premises added in the three months to 30 September 2020
- 11.82 million premises Ready to Connect, with an increase of 84,000 premises since 30 June 2020¹ reflecting greenfield development and the rapid completion of complex installations

NBN Co has started the new financial year with strong momentum, adding 388,000 residential and business premises to the **nbn**[™] network in the three months to 30 September 2020 with a total of 7.66 million premises connected to the network at quarter end.

The Company has continued to expand the network with an additional 84,000 residential and business premises made Ready to Connect in the first quarter of FY21. This lifted the total number of Ready to Connect homes and business premises to 11.82 million at 30 September 2020.

NBN Co's strong customer activation numbers helped to grow total revenue to approximately \$1.1 billion in the first quarter, putting the Company on track to meet its FY21 revenue target of \$4.5 billion.

NBN Co recorded positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$102 million in the first quarter, which builds on the positive momentum in EBITDA generated by the Company in Q4 FY20. EBITDA before subscriber costs was \$571 million, an increase of 61 per cent year on year, with NBN Co paying approximately \$469 million in total combined subscriber costs to Telstra and Optus.

In FY20, NBN Co paid approximately \$2.4 billion in subscriber costs to Telstra and Optus, the highest annual level of such payments. As outlined at the Company's FY20 financial results in August 2020, these costs will significantly reduce from FY21 with payments totalling approximately \$1.5 billion due over FY21-24, until such payments cease.

Capital expenditure for the quarter was \$772 million, the largest component of which related to build and connection costs.

NBN Co Chief Executive Officer, Stephen Rue, said:

“It has been a strong first quarter and we are on track to meet the key financial forecasts outlined in our Corporate Plan 2021.

“Revenue growth is tracking ahead of forecast and we continue to service high levels of demand for new connections with around 30,000 residential and business premises connected to the network every week, on average.

“We have maintained our strong focus on network performance, reliability and accessibility – and we continue to see strong, sustained demand for **nbn**’s higher speed tiers. Approximately 80 per cent of new customers connecting to the network for the first time are selecting retail plans based on **nbn** wholesale download speed tiers of 50 Mbps and above².

“During the quarter, NBN Co continued to invest heavily to support customers and the industry through the COVID-19 crisis, maintaining a number of targeted measures, such as the offer of additional CVC capacity at no additional cost to internet retailers.

“Customer demand for higher speed broadband services remained strong in the first quarter and by 30 September 2020, more than 70 per cent of residential and business customers were connected to plans based on **nbn** wholesale download speed tiers of 50 Mbps and above².

“In September, we announced a \$4.5 billion network investment program to deliver our highest peak wholesale speed tiers of 500 Mbps to close to 1 Gbps² on demand to an estimated 75 per cent of homes and businesses on the fixed-line network by 2023³ to enhance residential and business grade services, and to dedicate \$300 million to a regional co-investment funding program.

“We are now extending fibre deeper into communities in selected metropolitan and regional areas of New South Wales, Victoria, Queensland, South Australia and Western Australia. And we will progressively select, design and construct new fibre extensions over the next two years, with the aim of passing around 2 million premises by the end of 2023.

“This will ultimately enable customers living and working in eligible premises to place an order for a higher speed services, which is likely to trigger the construction of a fibre lead-in, thereby completing their conversion from Fibre to the Node (FTTN) to Fibre to the Premises (FTTP) technology, on demand.

“As part of our commitment to regional and remote Australia and given the increasing importance of high-speed broadband connectivity, we are pleased to engage with state and territory governments and local councils to consult and work through how we might extend fibre deeper into regional communities.

“NBN Co also recently announced 240 Business Fibre Zones and is pleased with the level of orders that have been received at this early stage of launch.

“NBN Co is making good progress on its Hybrid Fibre Cable (HFC) network upgrade program and is working to ensure that by the end of November 2020 more than 25 per cent of premises in the HFC footprint will be able to order **nbn** Ultrafast broadband³. We expect that by June 2021 over two-thirds of premises in the HFC network footprint will be able to order **nbn** Ultrafast broadband, and by the end of 2021 we anticipate that nearly the entire HFC network footprint of some 2.5 million premises should be able to order **nbn** Ultrafast broadband, capable of achieving wholesale download speeds of 500Mbps to close to 1 Gbps³.

“To support internet retailers and provide additional incentives to customers who may wish to upgrade to higher speed broadband plans, NBN Co recently launched its national ‘Focus on Fast’ campaign. We will bring forward the release of additional CVC data inclusions on its 100/40 Mbps, **nbn** Home Fast, **nbn** Home Superfast and **nbn** Home Ultrafast bundle discounts to be available from 1 December 2020 and, as a sales and upgrade incentive, propose to offer wholesale pricing rebates to internet retailers⁴ from 1 February 2021, which will be applicable for up to six months.

“Demand for higher speed broadband services will accelerate in the years ahead as more people connect more devices within their homes, which inevitably requires faster download and upload speeds and greater capacity to be built into the network. As we have always stated, we will continue to invest in the **nbn** as a critical piece of infrastructure that will deliver social and economic benefits now, and in the future.”

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Media enquiries

Greg Spears

Email: gregspears@nbnco.com.au

Mobile: 0406 315 014

Katherine Jimenez

Email: katherinejimenez@nbnco.com.au

Mobile: 0456 811 401



For further information, visit www.nbnco.com.au

Notes to Editor:

1 NBN Co’s build completion commitment is that all standard installation premises in Australia are able to connect to the **nbn**[™] access network as at the build completion date. This excludes premises in future new developments which will be an ongoing activity for NBN Co beyond the build completion date. It also excludes a small proportion of premises defined as ‘complex connections’ – which includes properties that are difficult to access, culturally significant areas and heritage sites – where connection depends on factors outside of NBN Co’s control such as permission from traditional owners, and where network construction to allow such premises to connect will be an ongoing activity of NBN Co beyond the build completion date.

2 In this reference, **nbn** wholesale download speed tiers include wholesale plans available to phone and internet providers with download speeds of 50Mbps and 25-50Mbps. The **nbn**[™] wholesale speed tiers available to your phone and internet provider vary depending on the **nbn**[™] access network technology in your area. Your experience, including the speeds actually achieved over the **nbn**[™] network, depends on the **nbn**[™] network technology and configuration over which services are delivered to your premises, whether you are using the internet during the busy period, and some factors outside our control (like your equipment quality, software, broadband plans, signal reception and how your service provider designs its network). Speeds may be impacted by network congestion on **nbn**’s Fixed Wireless network, including during busy periods. Satellite users may experience latency.

3 Regardless of the retail service you purchase, the actual wholesale speeds delivered by **nbn**’s highest wholesale speed tiers of 500 to close to 1000 Mbps will be less than 1Gbps due to equipment and network limitations and the peak information rate may fall anywhere in this range. In addition, the HFC Home Ultrafast bandwidth profile downstream service provided to retail providers is a ranged profile with a maximum sustained information rate of 750Mbps. Reference to speeds are not end user speeds; they are wholesale layer 2 peak information rate bandwidth provided to retail providers. An end customer’s experience, including the speeds actually achieved over the **nbn** network, depends on some factors outside our control (like equipment quality, software, and how your retail service provider designs its network) and the **nbn** technology used for your connection.

4 NBN Co is a wholesaler and does not control costs charged by service providers. Customers should contact their preferred service provider to ask about their fees and charges.