

Superloop Limited (ASX:SLC)

## 1H FY23 Results

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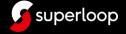
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#### Currency

All references to "\$" are to Australian currency (AUD) unless otherwise noted.



### 1H FY23 Highlights



**Total Revenue<sup>1</sup>** 

\$148.9M

**1**31.7%

**1** 28.0% organic



Underlying EBITDA<sup>2</sup>

\$12.6M

**1**88.8%



Operating Cash Flow<sup>3</sup>

\$13.0M

103.5%

conversion

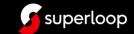


Customers<sup>4</sup>

296k

**1**42.3%

- 3. Underlying Operating Cash Flow is calculated as Net Cash flow from operating activities adjusted for \$2.4m transaction/rebranding costs
- 4. See appendices for further details on categorisation of customer numbers



<sup>1.</sup> Based on continuing operations and inclusive of Other Income. The 1H FY22 prior comparative period excludes the contribution from discontinued operations. Organic revenue growth excludes Acurus & VostroNet contribution in 1H FY23 and discontinued operations in 1H FY22.

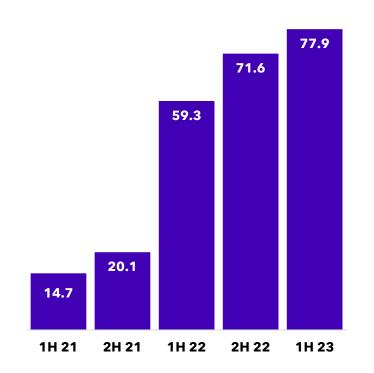
<sup>2.</sup> Underlying EBITDA is calculated as Statutory EBITDA adjusted for non-recurring transaction/rebranding costs as well as Share Based Payments.

## Strong revenue growth across all segments<sup>1</sup>

#### Consumer (A\$M)

2 Year CAGR : 130.2%

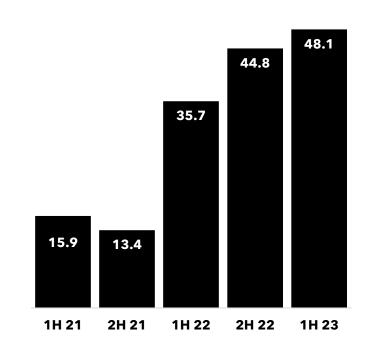
1H FY23 vs. 1H FY22 Growth: 31.4%



#### **Business (A\$M)**

2 Year CAGR: 73.9%

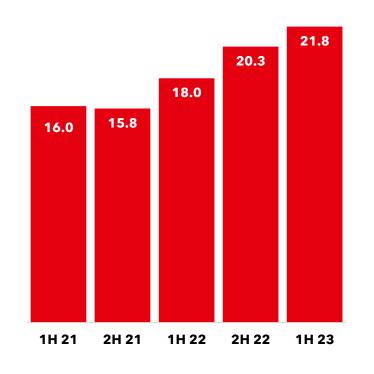
1H FY23 vs. 1H FY22 Growth: 34.7%

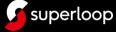


#### Wholesale (A\$M)

2 Year CAGR: 16.7%

1H FY23 vs. 1H FY22 Growth: 21.1%





<sup>1.</sup> Revenue is based on continuing operations and all prior periods exclude the contribution from discontinued operations.

## 1H FY23 Gross Margin<sup>1</sup>

**Total Group Gross Margin** 

**1**\$49.5M

33.5%
Gross Margin Percentage

1H FY22<sup>2</sup>: **\$35.4M** 

Consumer Gross Margin

**1**\$19.3M

Gross Margin

**24.7%**Gross Margin Percentage

1H FY22: **\$12.4M** 

Business Gross Margin

**1**\$17.4M

Gross Margin

36.1%

Gross Margin Percentage

1H FY22: **\$10.8M** 

Wholesale Gross Margin

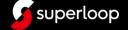
**1**\$12.8M

Gross Margin

**58.9%**Gross Margin Percentage

1H FY22<sup>2</sup>: **\$12.2M** 

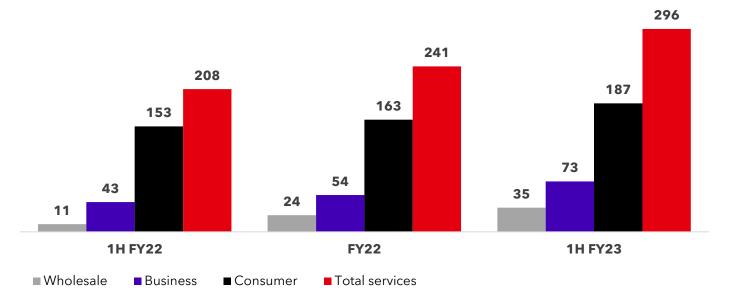
- 1. Gross Margin is based on continuing operations. The 1H FY22 prior comparative period excludes the contribution from discontinued operations.
- 2. Wholesale Gross Margin for 1H FY22 has been adjusted lower by \$882k reflecting the misallocation of costs between continuing and discontinued operations in that period.



### **Total Customers**<sup>1</sup>

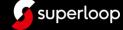
- Total number of customers utilising the Superloop Network has increased 42.3%, strong growth across all segments.
- Churn remains stable at around industry average.
- Full year customer numbers will include the addition of 50,000 MyRepublic customers migration completed 21 February 2023.

#### **Total Customers ('000)**



 $<sup>1. \ \ \, \</sup>text{See appendices} \,\, \text{for further details on categorisation of customer numbers}$ 



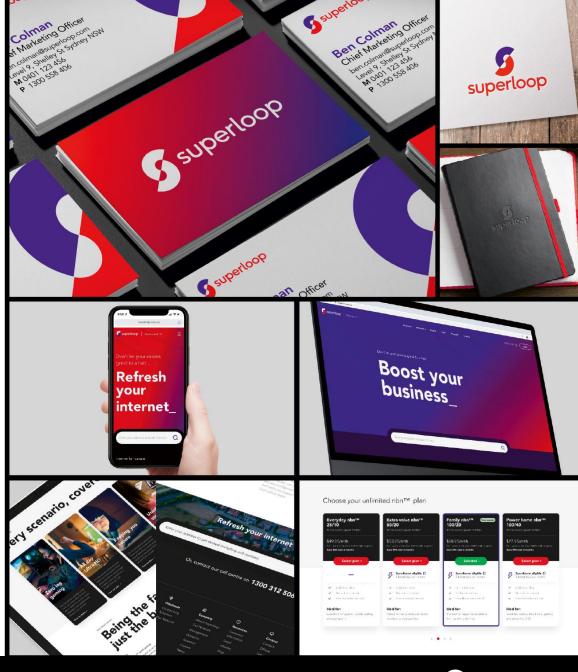


## Rebranding underpins future growth

- Superloop's turnaround has involved dramatic simplification of the business, portfolio optimisation, channel development and asset monetisation. Brand evolution is the natural next step for the company.
- Core to our plan to grow our market share to 5% is having a brand that has strong recognition, values that resonate, and a personality that differentiates us from the competition.
- In 2022, we embarked upon a nine month project to determine which brand to take forward, and how to position ourselves as a challenger in the ISP industry.

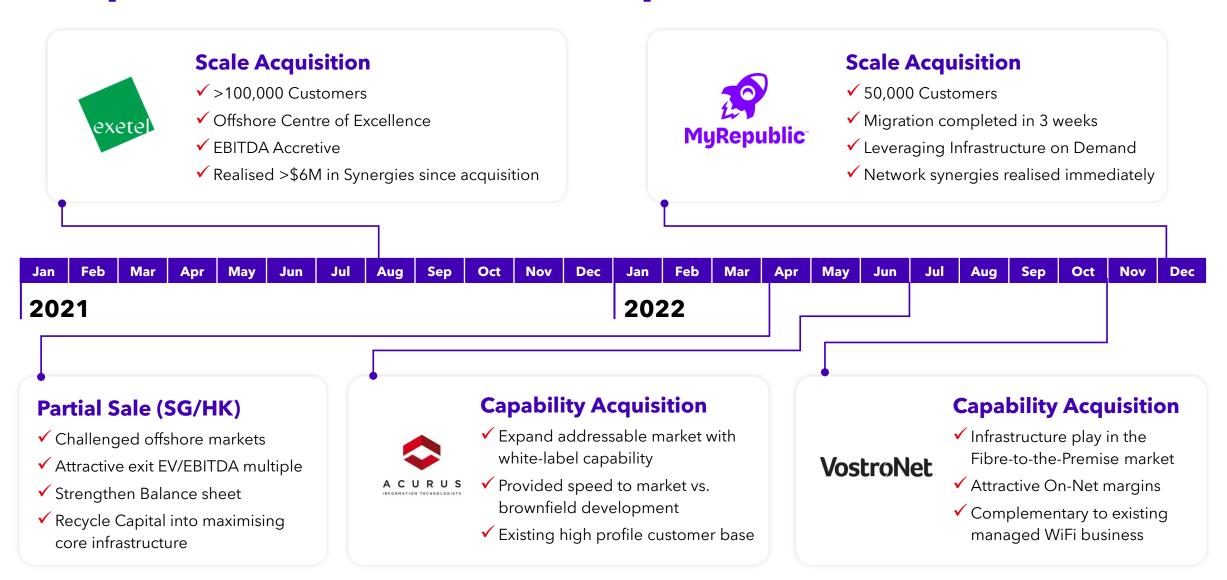
#### The Rebranding will:

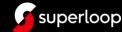
- Unify our team behind a single identity (part of growing through acquisition is that we have lots of different brands, identities, cultures)
- Give us a tested, research-backed brand, look, and voice that resonates with our target customer
- 3 Allow us to build brand recognition within the category
- Position Superloop as a challenger keen to do things differently and shake up the category





## **Simplification and Portfolio Optimisation**





## Improving cost to serve via digital transformation + super customer experience



**Making customer experience super,** enabled by Tier 1 cloud services + internal innovation

### Introduced Digital Products



**Consolidated stack** into Tier 1 systems





Improved
Support with AI



Reinvigorated digital: website, portal, app





Rapidly simplifying and integrating our business, unlocking synergies from past acquisitions



 $3 \rightarrow 1$ Finance Systems

**7** → **1**Ticketing Systems



**Reducing our controllable cost base** sustainably through digitisation, automation, analytics and commercial excellence







Al and Machine Learning



**Highly leveraged analytics** 





**Scaling growth through innovation -** enhancing competitive advantage through continued investment in our infra-on-demand platform capabilities

- NBN gateway automation on our wholesale platform connect customers in seconds
- Leveraged Infra-on-Demand platform to complete fast migration of 52,000 MyRepublic subscribers to the Superloop network



**Strengthening data governance and security** to deliver value through data and analytics, while managing risks

- Company wide comprehensive cyber security training
- Alignment with the Essential 8 framework
- Continued certification of ISO27001



## Fixed wireless strategic review concludes with divestment of underperforming assets and cash optimisation

#### **Pre-Review**

Fixed Wireless product<sup>1</sup> cash flow outlook (post lease costs)

declining on path to negative



#### **Phase 1 - Partial divestment**

Execution of Asset Sale Agreement (ASA) for select Fixed Wireless assets to Field Solutions Group Pty Ltd (FSG)



#### **Phase 2 - Optimisation**

Maximise efficiencies on network including:

- Service migration from fixed wireless to fixed line and shut down sub scale base stations
- Investment into areas with low penetration of fibre to promote further revenue on assets
- Various other cost control initiatives (labour, supplier renegotiation etc.)



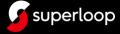
~\$2.0M

**2H FY23 EBITDA negative** impact from phase 1 & 2



#### **Future State**

Fixed Wireless product<sup>1</sup> cash flow stabilized with ongoing **positive cashflow** 



<sup>1.</sup> Fixed Wireless product represents the fixed wireless business written in the Business and Wholesale Segments and excludes residential fixed wireless product written in the Consumer segment

1H FY23

## Segment Update

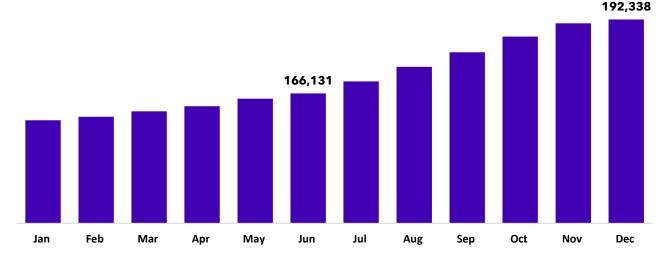


### Consumer

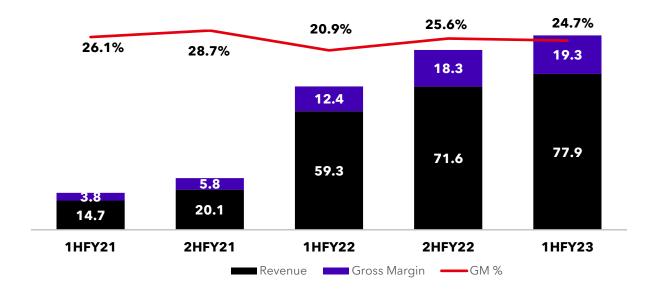
- 24.1% net subscriber growth for the 12 months ended 31 Dec 2022, 70% of which was in 1H FY23
- NBN market share up to 2.3%, sharing lead position for fastest growing NBN Retail Service Provider in Q1FY23 <sup>1</sup>
- Gross Margin 24.7% maintained at target expectations of 25% with strong management of variable network costs
- Cost to serve <sup>2</sup> improved 10% in 1H FY23 in comparison to 2H FY22 with consolidation of support centres, launch of digital support and adoption of digital self-support portals
- Completed acquisition of 50,000 MyRepublic nbn subscribers in December 22. Customer migration completed 21 February 2023

- 1. ACCC "NBN Wholesale Market Indicators Report for September 2022 (released 15 Dec 2022)
- 2. Contact centre support salary cost per subscriber 1H FY23 vs 2H FY22
- 3. Includes both Superloop & Exetel residential as well as SMB broadband subscribers who purchase a residential plan.

#### **Consumer Subscriber Numbers CY 2022<sup>3</sup>**



#### **Consumer Revenue and Gross Margin (A\$M)**





### **Business**

- Strong performance in student accommodation with return of international students post COVID, growth in core internet/data products and capturing market opportunity in security.
- Consistent margin expansion, tracking toward 40% mid term target
- Capturing market opportunity arising from network and security services converging into Secure Access Service Edge (SASE).
- Awarded Palo Alto's ANZ 2022 Managed Security Service Provider of the year.
- VostroNet expansion provides large market opportunity in new developments, build to rent & MDU markets. 68k total secured lots/beds.

#### **New customers 1H FY23**



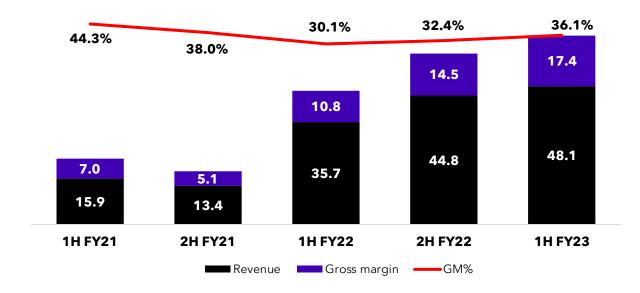




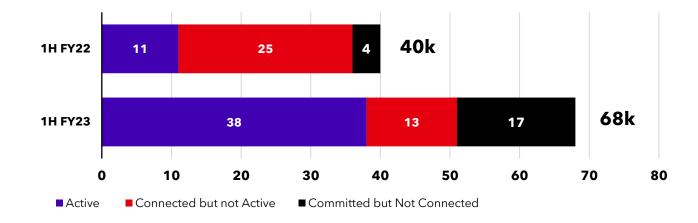


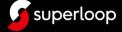


#### **Business Revenue and Gross Margin (A\$M)**



#### FTTP and Managed WiFi Beds/Lots Secured (000's)

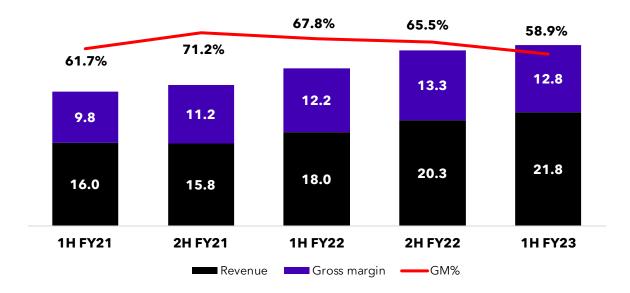




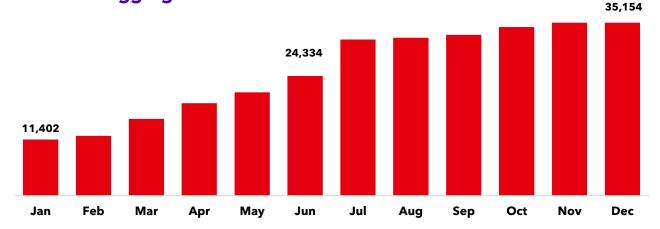
### Wholesale

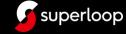
- Superloop Connect nbn platform
  - fastest growing product
  - Launched September 2021
  - 35k broadband aggregation customers as of 31 Dec 2022 up from 24k as at 30 June 2022
- Re-sign and contract extension of key customer Symbio
- Significant expansion in addressable market through addition of white label capability with Acurus
- Growing white-label pipeline with a number of advanced opportunities
- Introduction of Layer 3, TC4 services capability and target large competitor customer bases
- Enhanced features and automation of Connect 360 and Acurus platform - security, reporting and new nbn products including Enterprise Ethernet and other 3<sup>rd</sup> party fibre
- Gross Margin impacted by Fixed Wireless weakness and new customer ramp up costs. FY expected to be at target 60% level

#### Wholesale Revenue and Gross Margin (A\$M)<sup>1</sup>



#### **Wholesale Aggregation Customers CY 2022**





<sup>1.</sup> Wholesale Gross Margin for 1H FY22 has been adjusted lower by \$882k reflecting the misallocation of costs between continuing and discontinued operations in that period.

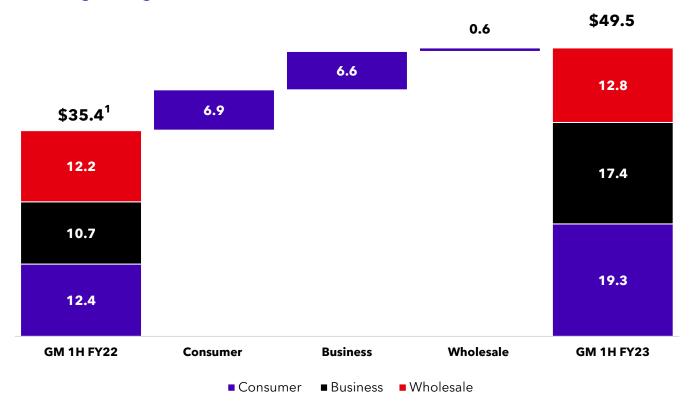
1H FY23

# Financial Performance



## **Gross Margin from continuing operations**

#### **Gross Margin Bridge A\$M**



<sup>1.</sup> Wholesale Gross Margin for 1H FY22 has been adjusted lower by \$882k reflecting the misallocation of costs between continuing and discontinued operations in that period.

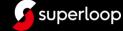


#### **Gross Margin percentage**

- Margin expansion from **31.3%** in the PCP to **33.5%**
- Limiting cost expansion where possible

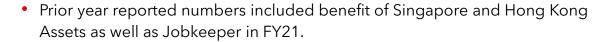


- Up from \$35.4M<sup>1</sup> in the PCP
- Well diversified across 3 customer segments
- Margin growth in all segments

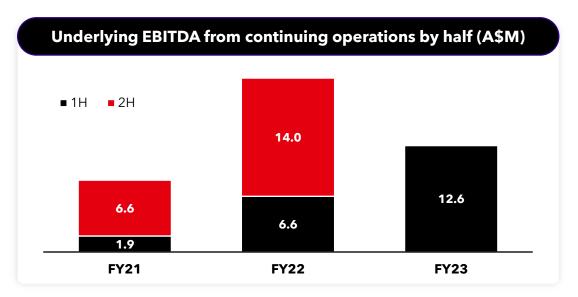


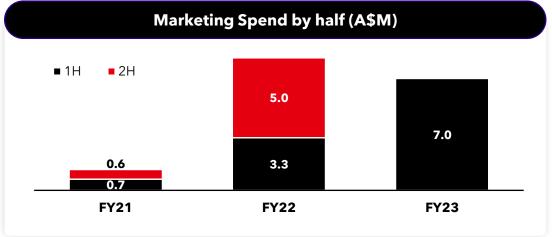
### Half on Half Underlying EBITDA trend for continuing operations

Underlying EBITDA Bridge (A\$M)	1H FY21	2H FY21	1H FY22	2H FY22	1H FY23
Reported Underlying EBITDA	8.2	10.4	9.1	16.3	12.6
Discontinued Operations	(3.8)	(3.8)	(2.4)	(2.3)	-
Jobkeeper	(2.5)	-	-	-	-
Continuing Underlying EBITDA	1.9	6.6	6.6	14.0	12.6



- 88.8% Growth in Underlying EBITDA from continuing operations
- Additional marketing spend in 1HFY23 compared to both 1HFY22 and 2HFY22 is in line with expectations
- FY22 and FY21 both include \$2M of EBITDA from Cyberhound prior to change to revenue recognition accounting adopted in FY23 and beyond



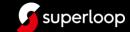




## **Operating Expenses**

- Non-Marketing Expenses as a percentage of total revenue has fallen from 23.3% to 20.8%
- Marketing as a percentage of total revenue has increased from 2.9% to 4.7%
- Planned increase in marketing costs supporting strong top line growth across the business
- Employee expenses include a salary increase across the business of ~5%
- Non-Marketing Operating Expenses have increased by 6.7% after adjusting for:
  - additional month of Exetel<sup>1</sup> costs; and
  - Operating costs of businesses acquired in the half

A\$(k)	1H FY23	1H FY22	% Change
Employee Expenses	23,652	19,392	22.0%
Professional fees	1,202	1,117	7.6%
Board Costs	639	427	49.6%
Travel & Communications	938	612	53.5%
Office Administration Costs	4,268	3,959	7.8%
Doubtful Debts	(338)	860	(139.3%)
Other Acquired Businesses	611	-	100.0%
Non-Marketing Operating Expenses	30,972	26,367	17.5%
Marketing Costs	7,017	3,257	115.4%
Underlying Operating Expenses	37,989	29,624	28.2%
Transaction/rebranding Costs	2,326	3,233	(28.1%)
Share Based Payments	180	180	-
Total Expenses	40,495	33,037	22.6%

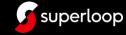


<sup>1.</sup> Exetel acquisition was completed on 01 August 2021. July 2021 Exetel Operating Costs were \$2.1m

## Performance from continuing operations

- Strong revenue growth across all three segments
- Organic revenue growth of 28.0% (ex acquisitions of Acurus, VostroNet and discontinued operations in 1H FY22)
- COGS higher mainly due to NBN payments arising from strong customer growth offset by savings from Uniti transaction
- Transactions costs relate to M&A, including VostroNet and MyRepublic acquisition and Uniti transaction
- Higher D&A from:
  - the addition of Singapore IRU acquired with disposal transaction; and
  - Assets emanating out of recent investment and M&A activity
- Small impairment of assets identified during balance sheet clean up ahead of system migration

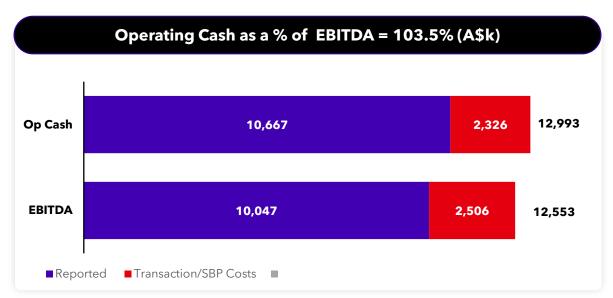
A\$M	1H FY23	1H FY22	% Change
Revenue	147.8	113.0	30.8%
Cost of Goods Sold	(98.4)	(76.8)	(28.2%)
Gross Margin	49.5	36.2	36.7%
Other Income	1.1	-	100.0%
Marketing	(7.0)	(3.3)	(115.4%)
Operating Expenses	(31.0)	(26.3)	(17.5%)
Underlying EBITDA	12.6	6.6	88.8%
Transaction and rebranding costs	(2.3)	(3.2)	28.1%
Share Based Payments	(0.2)	(0.2)	-
Statutory EBITDA	10.0	3.2	210.5%
Depreciation & Amortisation	(29.9)	(21.6)	(38.3%)
Impairment of Assets	(1.8)	-	(100.0%)
Net Interest Expense	(1.8)	(2.0)	10.6%
Foreign Exchange Gains/(Losses)	2.2	(0.3)	
Net Profit/(Loss) Before Income Tax	(21.3)	(20.8)	(2.6%)
Income Tax (Expense)/Benefit	(0.3)	-	(100.0%)
Net Profit/(Loss) After Income Tax	(21.7)	(20.8)	(4.3%)

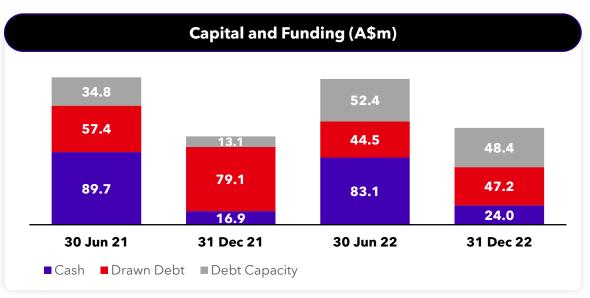


## **Cash flow and Liquidity**

- Strong cash conversion at 103.5% impacted by some timing of customer receipts from 2H FY22 and accrued expenses not yet paid
- Ample debt capacity with 0.7 leverage ratio<sup>1</sup> (targeting 1.5x EBITDA)
- 1H FY23 capex \$6M vs \$11M in 1H FY22
- Investing activities include VostroNet, Uniti and MyRepublic transactions
- Concluded buyback during 1H FY23. Purchased 11.2M shares for net consideration of \$8.6M



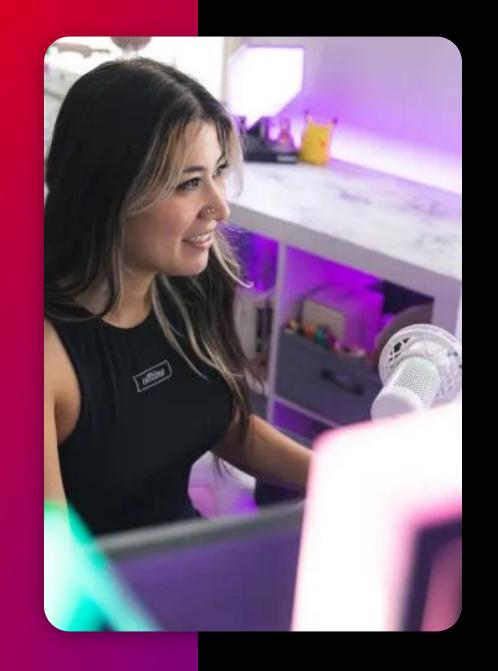




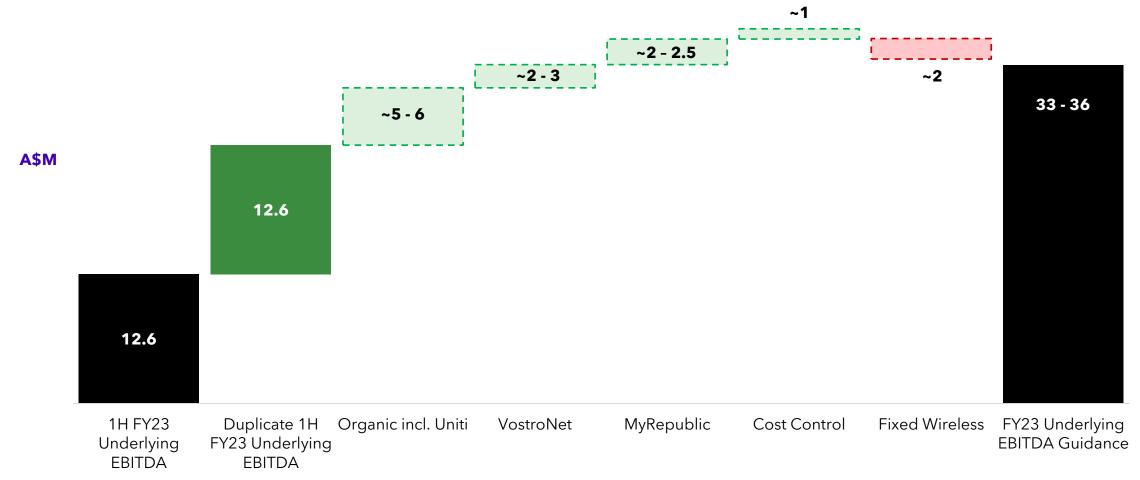
<sup>1.</sup> Leverage Ratio as at 31 December 2022 is calculated a Net Debt compared to the mid-point of the FY23 Underlying EBITDA guidance range.



## FY23 Outlook



## 1H FY23 vs. FY23 Underlying EBITDA estimate<sup>1</sup>



On track to meet underlying EBITDA guidance range of \$33M-\$36M

<sup>1.</sup> Subject to significant business, economic and competitive uncertainties which are beyond the control of Superloop, that may cause actual results to differ materially from those predicted or implied by any forward-looking statements.



## **Looking forward**



Strong momentum in customer growth. Expect 2H FY23 customer growth at similar levels to 1H FY23



Continue to extract value from historical M&A and digital transformation



Grow and execute on white label and FTTP opportunities



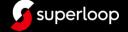
Optimise Fixed Wireless business to maximise cash flow



Deliver super customer experience via new branding



On track to meet Underlying EBITDA guidance range of \$33M-\$36M



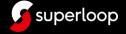
## Appendices



## Last 5 halves Gross Margin - Segment Breakdown

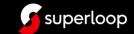
A\$k	1H FY23	2H FY22	1H FY22	2H FY21	1H FY21
REVENUE					
Consumer	77,907	71,575	59,309	20,144	14,678
Business	48,149	44,788	35,734	13,433	15,900
Wholesale	21,801	20,329	17,996	15,773	15,954
Discontinued	-	5,968	6,788	8,109	6,733
TOTAL REVENUE	147,857	142,659	119,827	57,459	53,265
COST OF GOODS SOLD					
Consumer	(58,632)	(53,268)	(46,886)	(14,356)	(10,853)
Business	(30,783)	(30,261)	(24,970)	(8,322)	(8,861)
Wholesale <sup>1</sup>	(8,963)	(7,014)	(5,792)	(4,537)	(6,110)
Discontinued	-	(1,980)	(2,586)	(2,621)	(2,826)
TOTAL COST OF GOODS SOLD	(98,378)	(92,523)	(80,234)	(29,836)	(28,650)
GROSS MARGIN					
Consumer	19,275	18,307	12,423	5,788	3,825
Business	17,366	14,527	10,764	5,111	7,039
Wholesale <sup>1</sup>	12,838	13,315	12,204	11,236	9,844
Discontinued	-	3.988	4,202	5,488	3,906
TOTAL GROSS MARGIN	49,479	50,136	39,594	27,623	24,614

<sup>1.</sup> Wholesale Gross Margin for 1H FY22 has been adjusted lower by \$882k reflecting the misallocation of costs between continuing and discontinued operations in that period. Wholesale Gross Margin for 1H FY21 has been adjusted lower by \$836k reflecting the misallocation of costs between continuing and discontinued operations in that period.



## **Group Income Statement - continuing operations**

A\$k	1H FY23			1H FY	22			
	Consumer	Business	Wholesale	TOTAL	Consumer	Business	Wholesale	TOTAL
Revenue	77,907	48,149	21,801	147,857	59,309	35,734	17,996	113,039
Cost of Goods Sold	(58,632)	(30,783)	(8,963)	(98,378)	(46,886)	(24,970)	(4,910)	(76,766)
Gross Margin	19,275	17,366	12,838	49,479	12,423	10,764	13,086	36,273
Other Income	-	-	-	1,063				-
Operating Expenses				(37,989)				(29,624)
Underlying EBITDA				12,553				6,649
Transaction and rebranding costs				(2,326)				(3,233)
Share Based Payments				(180)				(180)
Statutory EBITDA				10,047				3,236
Depreciation & Amortisation				(29,930)				(21,649)
Impairment of Assets				(1,833)				-
Net Interest Expense				(1,826)				(2,042)
Foreign Exchange Gains/(Losses)				2,218				(321)
Net Profit/(Loss) Before Income Tax				(21,324)				(20,776)
Income Tax (Expense)/Benefit				(337)				-
Net Profit/(Loss) After Income Tax				(21,661)				(20,776)



### **Balance Sheet**

Balance Sheet (\$k)	31 Dec 22	30 Jun 22
Cash & Cash Equivalents	24,045	83,133
Property, Plant & Equipment	123,852	127,271
Indefeasible Rights of Use	77,439	59,373
Other Intangible Assets	60,861	60,567
Goodwill From Acquisitions	221,067	181,312
Other Assets	42,200	42,015
TOTAL ASSETS	549,464	553,671
Current Liabilities	59,132	57,742
Interest Bearing Loans & Borrowings	53,600	53,219
Other Non-Current Liabilities	42,941	26,495
TOTAL LIABILITIES	155,673	137,456
Equity	393,791	416,215



# Customer number definition

#### **Consumer**

Unique customers on various access technologies such as nbn™, Uniti, Superloop Fixed Wireless and mobile. A single customer with multiple services (such as broadband, VoiP and mobile) only counts as a single customer.

#### **Business**

Unique end business locations on various access technologies such as Superloop Managed WiFi, Superloop Fibre, Superloop Fixed Wireless, nbn™, Uniti and mobile.

A single business location with multiple services (such as broadband, managed services, VoiP and mobile) counts as a single business location. A single business with 5 locations (branches) serviced by Superloop counts as five business locations.

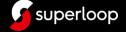
A managed WiFi customer to whom Superloop services 100 uniquely identifiable locations counts as 100 business locations. Covers all business sub-segments including SMB, mid market and enterprise. Business locations serviced via the nbn network as defined by the nbn™ September 2022 report.

#### **Wholesale**

Number of customers purchasing telco offerings from Superloop plus unique end customers serviced via Superloop wholesale aggregation and white label products as defined in consumer and business above.

#### **Segment financials**

Total customer numbers above do not fully align with segment revenue and COGS. Specifically, businesses purchasing a residential rather than business plan are reported in the consumer segment (revenue, margin and customer numbers) rather than the business segment.





## Thank you

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