

NBN faces increased threat as fixed wireless rival Uniti expands ahead of IPO

By **Paul Smith**

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The national broadband network will face a heightened challenge from fast-growing Adelaide-based start-up internet service provider Uniti Wireless, as it uses a new \$5 million grant from South Australia's Future Jobs Fund to help fast-track its expansion into Sydney, Perth and Brisbane ahead of an initial public offering later this year.

The company already offers rival services to the NBN in Adelaide and Melbourne, using its own infrastructure to provide fixed wireless services at comparable speed and price to the NBN.

Its co-founder and chief executive, Che Metcalfe, said rapid growth in its initial markets had given it confidence to invest in targeting other capital cities, particularly where NBN had been delayed. Now it has secured the \$5 million grant after convincing the South Australian government that it will create more than 200 new jobs and pump millions into the state economy over the next few years.



Uniti wireless co-founder Che Metcalfe, pictured with co-founder Sasha Baranikov, says expansion into Sydney, Perth and Brisbane will come before an IPO later this year. **Fairfax Media**

Uniti counts Vocus founder James Spenceley and Amcom founder Tony Grist among its investors, and [previously raised \\$3 million](#) in 2017 as it proved its business model in Adelaide and then Melbourne. It is working with Bell Potter to plan an IPO for later this year, timing for a listing is still not confirmed, but Mr Metcalfe said its service would be available in other cities before its debut.

"It takes four to five months to set up network infrastructure in different regions. So ahead of the planned IPO we're already well under way with the rollout in the capital cities, and can basically pull the trigger when we get closer to the IPO," Mr Metcalfe said.

"Because we are an alternative to the NBN, we can choose areas where the NBN technology has been a poor choice, such as fibre to the node areas, and where the NBN is the weakest or delayed. We have very successful, low-cost, highly capable network, which is appealing to a large percentage of the Australian population, who are just over the political games of the NBN."

TPG and Vodafone merger boost

Fixed-wireless technology has been growing increasingly popular as an alternative to the national broadband network, or other fixed broadband connections. It is delivered to a building via a dish on the roof and offers speeds up to the top available NBN tiers of 100 Mbps download and 40 Mbps upload.

Mr Metcalfe said it was working on technology that would soon see it able to offer significantly faster Gigabit speeds, which would cost more, but leapfrog available NBN plans from a technical perspective.

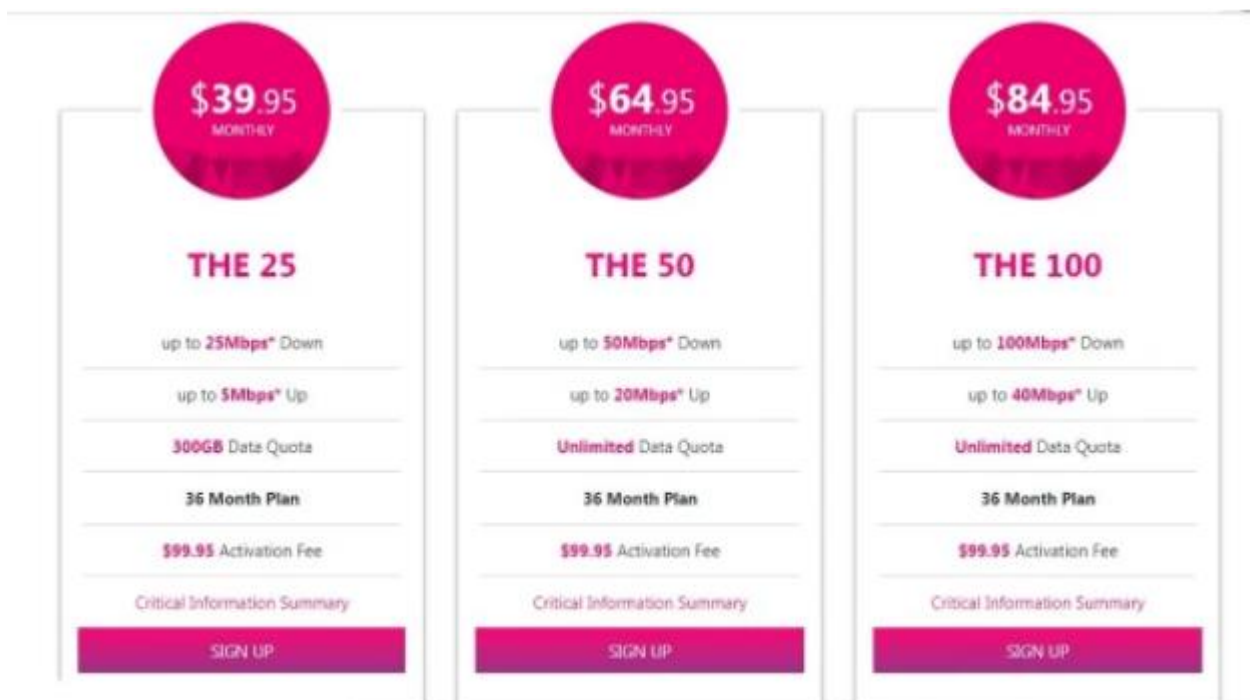
Fixed wireless technology is looming as a major challenge to the NBN as it means [both Telstra and Optus](#) can target customers in highly profitable metropolitan areas on their own equipment, rather than the NBN.

Mr Metcalfe said he was encouraged by the reception to the [expected merger between TPG and Vodafone](#) in Australia, with TPG focusing a \$600 million effort on building a small-cell technology based mobile network, which is likely to serve as an NBN bypass to keep all the revenue on fixed-wireless internet connections.

"It confirms that I think we're on the right path. TPG is obviously a very well-run company that is very good at doing what they do. The fact that it is going down the wireless path and building its own 4G network, and the potential merger with Vodafone, is a very positive sign for the industry," he said.

"I think the more people that don't rely on the NBN and the more the industry does its own thing the better ... I think what TPG is doing is great for the industry, and I think that wireless will become more and more dominant as we progress."

Telsyte analyst Foad F adaghi said fixed wireless definitely had the chance of providing significant disruption to fixed line services, but that Uniti would face stiff competition across Australia.



Uniti Wireless offers residential plans, with up to 100 Mbps download and 40 Mbps upload, without using the NBN. **Supplied**

"The big challenge is that it's not just NBN that will be a competitor – it will be three establishing mobile service providers with 5G and possibly their MVNO partners as well," Mr Fadaghi said.

"Wireless will no doubt disrupt the fixed market to some extent, it already has in some segments. However, almost all potentially disrupted have a wireless ace up their sleeve, including spectrum and the ability to scale at a wholesale level."

Fellow Telsyte analyst Alvin Lee said fixed line broadband remains important for Australian consumers, with his company's research showing two-thirds of Australian smartphone users with fixed broadband at home claim that they would use their fixed broadband just as much, even if they had access to unlimited (or very large) mobile data.

NBN doubts

On Friday new NBN chief executive Stephen Rue forecast growth in average revenue per user (ARPU) from \$44 to \$51 per month by 2021-22.

This is based on businesses and residential customers paying more for higher speed tier plans over time, but Mr Metcalfe said he doubted the government-owned business could achieve that.

He said the NBN had previously claimed users did not want the higher speeds, based on the majority being on 25 Mbps plans. However, when it had temporarily reduced prices to encourage users on to 50 Mbps plans, it had seen a dramatic rise in the number of customers signing up.

"NBN disproved their own theory that nobody wanted anything faster, it is just more about the price point and NBN will have trouble pushing their ARPU up, to be honest," Mr Metcalfe said.

"There will be some people who go for those high speed plans if they're capable of delivering them. But if you think about that technology mix, how is the NBN going to offer faster speeds in the fibre to the node areas, where we know they're struggling to deliver 50/20 Mbps?"

Uniti expansion

Uniti has not yet released figures about its customer numbers, but will do so in the run-up to its IPO. Mr Metcalfe said it was growing rapidly, with Melbourne having picked up customers at an accelerated rate when compared with its launch in Adelaide.

Without giving the initial numbers, he said in the last month Uniti had grown at a rate of 35 per cent in terms of customer acquisitions.

He said timing of the IPO would depend on both the state of the market and the finalisation of a number of deals, which he could not yet disclose, but which would be very beneficial to shareholders.

It currently employs 65 staff and will remain based in Adelaide as it uses its grant win to target engineering, software development, customer support and sales and marketing staff.

"Our national expansion strategy is very lean and almost a start-up in some ways. Obviously our shareholders want us to spend money wisely," Mr Metcalfe said.

"We do aim to hire approximately 200 people over the next three to four years, but that will be very dependent on customer acquisition. We are exceeding targets at the moment as far as revenue and customer acquisition. If that continues like we expect and we get into the area of hundreds of thousands of customers, then we will need lots of people to service those clients."