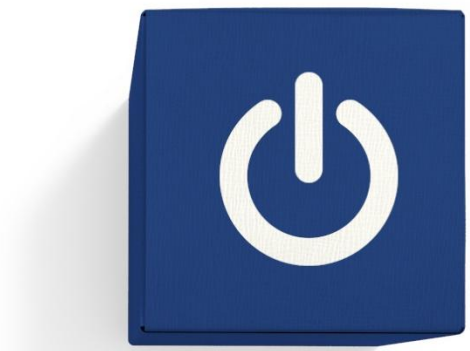
WACC update

ACCC

25 August 2026



FINAL UPDATE

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1. SUMMARY

This report provides an updated WACC estimate to the following cut-offs:

- Cost of equity parameters are estimated to 30th April 2026.
- Cost of debt parameters follow the tranche dates as described in the cost of debt section below with the last tranche estimated on 31st March 2026.

The methodology for all parameters except cost of debt are as set out in our Final WACC Methodology report.[1] The cost of debt methodology has been slightly amended as described in the cost of debt section below.

We present WACC estimated applying net debt gearing and gross debt gearing in the table below.

Table 1.1: WACC estimates for NBN

Parameter	Estimate with net debt gearing	Estimate with gross debt gearing
Gearing	36%	42%
Risk-free rate	5.02%	5.02%
Market risk premium	6.30%	6.30%
Asset beta	0.32	0.29
Equity beta	0.50	0.50
Cost of equity (post-tax nominal)	**8.17%**	**8.17%**
Credit rating	BBB	BBB
Debt yield*	5.04%	5.04%
Debt raising costs	0.12%	0.12%
Cost of debt (pre-tax nominal)	**5.16%**	**5.16%**
Tax rate	30%	30%
Gamma	0.57	0.57
Cost of equity (pre-tax nominal)	**9.38%**	**9.38%**
WACC (vanilla nominal)	**7.09%**	**6.91%**
WACC (pre-tax nomina)	**7.86%**	**7.61%**

** Applying 10-year trailing average for FY2027*

[1] CEPA (2025), WACC Methodology.

2. RISK-FREE RATE

In our Final WACC report, we used a 40-day average on CGS with a 10-year tenor, using the F16 data series published by the RBA. This produces an estimate of **5.02%** as on 30th April 2026.

3. MARKET RISK PREMIUM

We have updated the various MRP estimation methods for a new cut-off date of 30th April 2026. These estimates are shown in the table below.

Table 3.1: MRP estimates (30th April 2026)

Method	Estimate
Historical Excess Returns (HER)	Average of 1988-2025 period: **6.30%** Average of historical periods (1883, 1937, 1958, 1980, 1988): **6.40%**
Wright Method (TMR Approach)[2]	Average of 1988-2025 period: **6.44%** Average of historical periods (1883, 1937, 1958, 1988): **6.21%**
Dividend Discount Model (DDM)	ERA 2-Stage Model**: 4.66%** Average of IPART's three non-proprietary DDMs: **6.20%** Estimates from IPART's three non-proprietary DDMs: Bank of England (2002): **6.63%** Bank of England (2010): **5.96%** Damodaran (2013): **6.02%**

Source: CEPA analysis of Bloomberg and RBA data

In our final WACC report, we considered it reasonable to adopt the AER's HER implementation methodology, which places greatest weight on data from the period commencing in 1988. Maintaining this approach for this update, results in an estimate of **6.30%.**

[2] Assuming expected inflation of 2.5%.

4. BETA AND GEARING

The tables below provide updated estimates of asset beta and gearing using net debt gearing.

We use the same comparator sample removing only comparators that have been delisted. WideOpenWest is the only comparator that was delisted during the estimation period. WideOpenWest was delisted on 31st December 2025 but made the announcement that it would delist on 11th August 2025. We have decided to keep WideOpenWest within the comparator sample but for this comparator restrict the data applied to generate a beta estimate to the day before the announcement (10th August 2025).

Table 4.1: 5- and 10-year asset beta estimates (local market indices, net debt gearing) – 30th April 2026

	Four-weekly	Weekly	Daily
5-year asset beta			
Towers	0.41	0.38	0.34
Wholesale Fibre	0.35	0.31	0.31
Fixed Satellite	0.25	0.21	0.22
All wholesale comparators	0.37	0.33	0.31
Fixed Telecommunications	0.36	0.34	0.33
Mobile Telecommunications	0.30	0.30	0.28
All Comparators	0.33	0.32	0.30
10-year asset beta			
Towers	0.38	0.40	0.41
Wholesale Fibre	0.31	0.32	0.32
Fixed Satellite	0.38	0.29	0.30
All wholesale comparators	0.36	0.37	0.37
Fixed Telecommunications	0.39	0.39	0.39
Mobile Telecommunications	0.35	0.37	0.36
All Comparators	0.37	0.37	0.37

Source: CEPA analysis of Bloomberg data

Table 4.2: 5- and 10-year gearing estimates – net debt - 30th April 2026

	5-year gearing	10-year gearing
Towers	37%	31%
Wholesale Fibre	29%	30%
Fixed Satellite	51%	47%
All wholesale comparators	38%	34%
Fixed Telecommunications	42%	38%
Mobile Telecommunications	37%	32%
All Comparators	38%	34%

Source: CEPA analysis of Bloomberg data

Mergers and acquisitions (M&A) activity can have a material impact on beta estimates. We identified the following recent major M&A activity impacting other comparators during this period includes:

- Telefonica made offers on 1&1 and DIGI announced on 27th February 2026 and 4th November 2025 respectively.
- SBA Comms is under offer announced 4th February 2026.
- Telecom Italia is under offer by Poste Italiane announced on 4th September 2025,

Restricting the date range for these comparators to the day before the announcement has no impact on the beta range reported below.

The tables below provide our asset beta and gearing estimates using gross debt gearing.

Table 4.3: 5- and 10-year asset beta estimates (local market indices, gross debt gearing) – 30th April 2026

	Four-weekly	Weekly	Daily
5-year asset beta			
Towers	0.41	0.37	0.33
Wholesale Fibre	0.34	0.30	0.30
Fixed Satellite	0.19	0.16	0.17
All wholesale comparators	0.35	0.32	0.30
Fixed Telecommunications	0.34	0.32	0.31
Mobile Telecommunications	0.27	0.27	0.25
All Comparators	0.31	0.29	0.28
10-year asset beta			
Towers	0.38	0.40	0.40
Wholesale Fibre	0.30	0.31	0.31
Fixed Satellite	0.31	0.24	0.24
All wholesale comparators	0.35	0.35	0.36
Fixed Telecommunications	0.37	0.37	0.37
Mobile Telecommunications	0.32	0.33	0.33
All Comparators	0.34	0.35	0.35

Source: CEPA analysis of Bloomberg data

Table 4.4: 5- and 10-year gearing estimates – gross debt - 30th April 2026

	5-year gearing	10-year gearing
Towers	38%	33%
Wholesale Fibre	32%	32%
Fixed Satellite	63%	55%
All wholesale comparators	41%	37%
Fixed Telecommunications	44%	41%
Mobile Telecommunications	44%	40%
All Comparators	43%	40%

Source: CEPA analysis of Bloomberg data

The table below provides a summary of these results.

Table 4.5: Summary of asset beta ranges and gearing estimates

	Asset beta range	Average gearing
Net debt gearing	0.32 – 0.37	36%
Gross debt gearing	0.29 – 0.35	42%

Source: CEPA analysis of Bloomberg data

In our Final WACC Methodology we proposed that the asset beta for NBN should be set at the bottom end of the range. This provides an asset beta point estimate of **0.32**.

5. COST OF DEBT

The ACCC has requested that we update the cost of debt estimation methodology. Alongside this report we have provided the updated estimation spreadsheet. The cost of debt methodology uses estimates derived from two sources: RBA and Bloomberg. The updated cost of debt methodology does not impact estimates of the cost of debt derived from Bloomberg data and instead only impacts the treatment of RBA data derived estimates.

The ACCC requested that the treatment of RBA data be updated as follows:

- RBA publishes estimates of corporate bond yields in table F3 for each month end. The previous methodology applied a single month end estimate while the updated methodology uses the average of two-month ends. For example, if the estimation date is 31st March 2026 the estimate is the average of the estimates on 31st March 2026 and 28th February 2026.
- RBA data is used to estimate debt spreads which are then added to a risk-free rate averaged over 40 business days.

We observe that our implementation of this methodology produces identical (at 3 decimal places) estimates to Frontier Economics for FY2025, FY2026, FY2027 except in one case.[3] Our estimate for FY2025 is 5.875% rather than 5.887%. It is possible that this is due to the treatment of the weekend on 30th and 31st of March 2024 and the public holiday on 29th March 2024. Our implementation moves the date of the estimate back to the first available business day which in this case is 28th March 2024.

We have not re-estimated the historical tranche values FY2018 to FY 2024 and have adopted the values shown in the Frontier Economics' report.

The table below summarises these estimates. This produces a trailing average cost of debt estimate of 5.04%.

Table 5.1: Cost of debt estimates

Tranche	Value	Source	Estimation date	Weight	Trailing average
FY2018	4.363%	Frontier Economics (2026)	30/06/2017	10%	
FY2019	4.638%	Frontier Economics (2026)	30/06/2018	10%	
FY2020	3.716%	Frontier Economics (2026)	30/06/2019	10%	
FY2021	3.524%	Frontier Economics (2026)	30/06/2020	10%	
FY2022	3.127%	Frontier Economics (2026)	30/06/2021	10%	
FY2023	6.735%	Frontier Economics (2026)	30/06/2022	10%	
FY2024	6.556%	Frontier Economics (2026)	31/03/2023	10%	
FY2025	5.875%	CEPA estimate	31/03/2024	10%	
FY2026	5.760%	CEPA estimate	31/03/2025	10%	
FY2027	6.115%	CEPA estimate	31/03/2026	10%	5.041%
FY2028*	6.115%		31/03/2027		5.216%
FY2029*	6.115%		31/03/2028		5.364%

Source: CEPA analysis of RBA and Bloomberg data and Frontier Economics' estimates
**Placeholder*

[3] As reported in Frontier Economics (2026), Method for calculating the return on debt allowance for final RMD and update of WACC, 12 May.

Debt issuance costs

In our 30th June 2026 response to stakeholders report we concluded that we should use the debt issuance cost estimates as shown in the table below. In that report we stated that the debt issuance cost to be 0.11%. This was rounded incorrectly and should have been 0.12% (at 2 decimal places) as shown in the table below.

Table 5.2: Summary of debt issuance cost estimates

Source	Estimate
OTTER	0.08%
AER	0.0827%
ICRC	0.10%
QCA	0.10%
ESC (Melbourne Water)	0.15%
ESCOSA	0.125%
IPART	0.125%
ERA	0.1650%
Mean (at 2 decimal places)	**0.12%**

6. GAMMA

In our final WACC report we used AER's estimate of **0.57** from the 2022 Rate of Return Instrument. We continue to use this estimate for the current update.

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