



13 February 2020

The Manager

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**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Telstra Corporation Limited – Financial results for the half-year ended 31 December 2019 –  
Market Release**

In accordance with the Listing Rules, I attach a market release, for immediate release to the market.

This announcement has been released simultaneously to the New Zealand Stock Exchange.

Authorised for lodgement by:

**Sue Laver**  
Company Secretary



## **Telstra delivers 1H FY20 results in line with expectations, with strong progress against T22 strategy**

- **Total Income<sup>1</sup>, EBITDA and NPAT in line with expectations**
- **Strong progress against T22 strategy and cost reduction**
- **Continued customer growth thanks to multi-brand strategy and 5G leadership**
- **Interim dividend of 8 cents per share for 1H20 and FY20 guidance reconfirmed**

**Thursday 13 February** – Telstra today released its half year results for financial year 2020, in line with guidance and market expectations.

On a reported basis Total Income<sup>1</sup> for the first half decreased 2.8 per cent to \$13.4 billion and NPAT decreased 6.4 per cent to \$1.2 billion. Reported EBITDA for the first half was \$4.8 billion.

Telstra's underlying EBITDA<sup>2</sup> decreased 6.6 per cent to \$3.9 billion. Underlying EBITDA excluding the in-year nbn headwind<sup>3</sup> grew by approximately \$90 million, the first time this figure has grown since FY16.

Telstra CEO Andrew Penn said the results showed that the T22 strategy was building value and delivering positive financial momentum.

“This year we will reach the half-way point of our T22 strategy and we have built good momentum in delivering for our customers, our employees and our shareholders,” said Mr Penn.

“We know that there is more work to do and we still face challenges within our business and across the telecommunications sector. However, our T22 strategy gives us a detailed understanding of what we need to achieve and how we will get there.

“Our resolve is to focus on the things that are within our control and it's particularly pleasing to see a continued strong performance on reducing our costs and delivering new and simplified products and services to our customers.”

Progress on T22, combined with ongoing efforts to simplify the business, helped reduce underlying fixed costs by \$422 million, or 12.1 per cent. This brought the total underlying fixed cost reductions to around \$1.6 billion since FY16.

Mr Penn acknowledged the impact the recent bushfires and ongoing drought were having on customers and on the business.

“We know how hard the past few months have been for many of our customers and communities across Australia, and we continue to focus our resources on reconnecting communities and helping them recover.

“I've visited fire-affected communities to see the scale of this destruction and consider the best ways for Telstra to help. So far, we've provided disaster assistance packages to more than

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<sup>1</sup> Excluding finance income

<sup>2</sup> Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C, and guidance adjustments including one-off restructuring costs, but includes depreciation of mobile lease right-of-use assets.

<sup>3</sup> Refer to Footnote 8. As at 31 December 2019, the in-year nbn headwind was ~\$360 million.



34,000 customers, we're taking care of the mobile bills for more than 8,200 volunteers, and our payphone and Telstra Air Wi-Fi hotspots have been used by nearly 800,000 people around the country," said Mr Penn.

Telstra said it incurred one-off costs related to the bushfires of around \$10 million during the first half of FY20 which included assistance to customers, refunds and donations. It also anticipated the total impact of the bushfires on Telstra to be in the order of \$50 million.

## **Strong progress on T22 strategy**

During the first half of FY20, Telstra continued to make strong progress delivering its T22 strategy, now in its second year of implementation.

"We are approaching the halfway point of our T22 strategy and we are really pleased to see our customers responding positively to the changes we're making," said Mr Penn.

"We have 2.4 million services on our new, radically simplified plans. We've delivered more than 1.7 million Smart Modems to homes around the country and more than 1.2 million customers are now able to enjoy the benefits of being a Telstra Plus member.

"As our new products and services are improving the customer experience, we continue to see more customers choosing to interact with us online. Digital service interactions have risen to 57 per cent, 26 per cent of our Consumer and Small Business sales transactions are now digital, and the volume of calls to our call centres continues to fall.

"We have also made strong progress rationalising the number of products offered to Enterprise customers and we are on track for a 50 per cent reduction by FY21.

"These tangible examples of our progress have helped deliver an Episode Net Promoter Score increase of six points compared to the same period last year. We've also seen our Employee Engagement Score rise five points as we simplify our ways of working and empower our employees."

## **Continued customer growth and 5G expansion**

Telstra's multi-brand strategy continued to deliver growth in customer numbers, particularly in mobile. During the half the business added 137,000 retail postpaid mobile services, including 91,000 from Belong, 135,000 retail prepaid mobile services, and 173,000 pre and postpaid and IoT Wholesale services.

More customers than ever are also enjoying access to Telstra's world-leading 5G mobile network and a growing range of 5G-enabled devices.

"Telstra's ongoing research and investment continues to make Australia a global leader in 5G," said Mr Penn.

"We are continuing with our rollout and now have 5G coverage in selected areas in 32 cities and regional areas, on track for our target of 35 by the end of FY20.

"As the 5G ecosystem develops, we are seeing more devices becoming available to our customers. This includes Samsung's Galaxy A90 5G, launched in November 2019, as the first mid-range device on the market. One quarter of all our Android phone sales since July 2019



have been 5G devices. In total, we have sold more than 100,000 5G-enabled mobile devices and we look forward to that number continuing to grow.”

## Shareholder returns and FY20 guidance

The Telstra Board resolved to pay a fully-franked interim dividend of 8 cents per share, comprising an interim ordinary dividend of 5 cents per share and an interim special dividend of 3 cents per share.

Telstra reconfirmed guidance for FY20<sup>4</sup>, with Total Income<sup>5</sup> in the range of \$25.3 to \$27.3 billion, underlying EBITDA<sup>6</sup> in the range of \$7.4 to \$7.9 billion, restructuring costs of around \$300 million, capital expenditure of \$2.9 to \$3.3 billion, and free cash flow after operating lease payments<sup>7</sup> of \$3.3 to \$3.8 billion.

After excluding the expected in-year nbn headwind<sup>8</sup>, which Telstra continues to expect to be in the range of ~\$600 million to ~\$800 million, underlying EBITDA is expected to grow up to \$500 million in FY20.

Full details of the Half Year results, including copies of the presentations given by the CEO and CFO, are available on the Telstra Investor website [www.telstra.com.au/aboutus/investors](http://www.telstra.com.au/aboutus/investors)

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<sup>4</sup> This guidance assumes wholesale product price stability and no impairments in and to investments or property, plant and equipment and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance assumes the nbn rollout and migration in FY20 is broadly in accordance with the nbn™ Corporate Plan 2020. Guidance is provided on the basis of AASB16 Leases and assumes impacts consistent with management estimates and current interpretation of the standard. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex and capitalised leases under AASB16 Leases.

<sup>5</sup> Excluding finance income.

<sup>6</sup> Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C, guidance adjustments including one-off restructuring costs, but includes depreciation of mobile lease right-of-use assets.

<sup>7</sup> FY20 free cashflow defined as operating cash flows less investing cash flows less operating leases (reported in financing cash flow under AASB16 Leases). FY20 free cashflow guidance includes ~\$1b working capital increase including from exit of mobile lease plans, remaining outflows from restructuring costs announced in May 2019, and an increase in nbn receivables.

<sup>8</sup> In-year nbn headwind defined as the net negative recurring EBITDA impact on our business based on management best estimates including key input of the nbn Corporate Plan 2020.

# Half year 2020 results | Headlines



Reported <b>Total income</b> \$13.4 billion, -2.8%	Reported lease adjusted <sup>2</sup> <b>Total income</b> \$13.4 billion, -2.8%	Guidance basis <sup>1,3</sup> <b>Underlying EBITDA</b> \$3.9 billion, -6.6%
Reported <b>EBITDA</b> \$4.8 billion, +12.1%	Reported lease adjusted <sup>2</sup> <b>EBITDA</b> \$4.5 billion, -0.1%	<b>Underlying EBITDA growth ex in-year nbn headwind<sup>3,4</sup>: ~+\$90m</b> <b>In-year nbn headwind<sup>4</sup></b> <b>~\$360 million (LTD ~\$2.1b)</b>
Reported <b>NPAT: \$1.2 billion, -6.4%</b> <b>EPS: 9.6 cents, -7.7%</b> <b>1H20 interim dividend: 8 cps<sup>6</sup></b>	Reported lease adjusted <sup>2</sup> <b>NPAT: \$1.2 billion, -4.6%</b>	Guidance basis <sup>1</sup> <b>Capex: \$1.4 billion, -42%</b> <b>FCF<sup>5</sup>: \$1.0 billion, +36%</b>

1. This guidance assumes wholesale product price stability and no impairments in and to investments or property, plant and equipment and intangible assets, and excludes any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. The guidance also assumes the nbn™ rollout and migration in FY20 is broadly in accordance with the nbn Corporate Plan 2020. Guidance is provided on the basis of AASB16 Leases and assumes impacts consistent with management estimates and current interpretation of the standard. Capex is measured on an accrued basis and excludes expenditure on spectrum and externally funded capex and capitalised interest under AASB16 Leases.

2. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. See 'AASB16 & Reported lease adjusted results' slide for detail.

3. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C, guidance adjustments including one-off restructuring costs, but includes depreciation of mobile lease right-of-use assets.

4. In-year nbn headwind defined as the net negative recurring EBITDA impact on our business based on management best estimates including key input of the nbn Corporate Plan 2020.

5. FY20 free cashflow defined as operating cash flows less investing cash flows less operating leases (reported in financing cash flows under AASB16 Leases).

6. Interim dividend of 8 cents per share fully franked comprising ordinary dividend of 5 cents per share and special dividend of 3 cents per share.