17 February 2022

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra continues to grow through H1 FY22

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

Authorised for lodgement by:

Sue Laver
Company Secretary

MARKET RELEASE

Telstra continues to grow through H1 FY22

- Reported EBITDA $3.5B (-14.8%), NPAT $0.7B (-34%) and EPS 5.9 cents (-35.9%)
- FY22 guidance reaffirmed
- EBITDA growth on a reported basis impacted by expected decline in significant one-offs
- Underlying EBITDA[1] $3.5B (+5.1%), Underlying EPS[2] 6.2 cents (+55%)
- Strong mobile growth with EBITDA +25%, post-paid ARPU +5% and post-paid services up 84,000

Thursday 17 February 2022 – Telstra today released its results for the first half of financial year 2022, showing continued growth in its underlying business, with particularly strong performance in mobiles.

CEO Andrew Penn said the results reflected the positive momentum delivered through Telstra's T22 strategy and put the company in a strong position as it transitions into T25.

"This was the second consecutive half of underlying growth," Mr Penn said. "The results show we have stayed disciplined and focussed on delivering what we said we would. The benefits of T22 are flowing through for our customers and our shareholders.

"As the nation has developed an ever-increasing reliance on digital connectivity, we are well placed to deliver the infrastructure, solutions and security needed to support Australia's aspiration to become a world leading digital economy."

Financial outcomes for HY22

Mr Penn said FY22 was a pivotal year for Telstra financially as it saw the near final negative transitional effects of the nbn in its reported results, but also the growing momentum in its underlying performance starting to show through.

"Our reported total income includes declines of around $450 million in one off nbn receipts and around $200 million in nbn commercial works, while our underlying results demonstrate the benefits of our T22 strategy," Mr Penn said.

"In addition to the impact of the nbn, the declines on a reported basis reflect the one-off gains last year, including the sale of our Velocity and South Brisbane exchange assets and the sale and lease back of our Pitt St exchange."

On a reported basis, total income for the half decreased 9.4 percent to $10.9 billion and EBITDA was $3.5 billion, down 14.8 percent. NPAT decreased by 34 percent to $0.7 billion, and earnings per share was down 35.9 per cent to 5.9 cents.

Underlying EBITDA[1] increased 5.1 per cent to $3.5 billion, demonstrating the positive momentum in Telstra's core business, with mobiles performance reinforcing Telstra's clear leadership in 5G.

Underlying EPS[2] was up 55 percent to 6.2 cents. This growth represents a strong start against Telstra's T25 ambition for underlying EPS target of high teens CAGR from FY21 to FY25.

Telstra continued to make very strong progress in its productivity program, with underlying fixed costs down $254 million and total operating expenses down $644 million or 8 percent. Telstra is on track to deliver a reduction of underlying fixed costs of approximately $430 million for the full year.

The Board has resolved to pay a fully franked interim dividend of 8 cents per share, comprising a 6 cent ordinary and 2 cent special dividend, that will return around $940 million to shareholders. Telstra also confirmed its Dividend Reinvestment Plan had been reinstated.

During the half Telstra completed the part sale of its Towers business. The share buy-back of up to $1.35 billion following this partial sale is expected to be completed by the end of the financial year. At the end of the half, more than 40 percent of the buy-back had been completed.

Guidance[3] for full year was reaffirmed across all measures.

Strong progress against strategy

The six months to December saw Telstra make strong progress against its T22 strategy, with more than 80 per cent of metrics now achieved or on track to be delivered.

Mr Penn said Telstra's 5G network was now more than twice the size of Telstra's next nearest competitor, with more than 77.5 per cent of the population covered and almost 2.8 million 5G devices connected to its mobile network.

"We continued to lead the market in the major mobile industry network performance benchmarks in the year, including umlaut where we ranked #1 for best in test and best in data."

Telstra's drive to simplify and digitise the business through T22 is having a positive impact on customer experience.

"We have radically simplified our business reducing the number of Consumer & Small Business plans from 1800 to 20. We have four million customers signed up to our rewards program, Telstra Plus. The number of calls coming into our Consumer & Small Business contact centres has fallen by 70 percent and by the end of this financial year we expect to answer all of these calls in Australia. We are also well progressed on the arrangements to bring our licensee stores back in house," Mr Penn said.

Customer complaint levels are at their lowest level since the migration to the nbn began. Last week the TIO reported Telstra's complaints in the last quarter of 2021 had halved versus the same quarter in the prior year.

"Confirming our continued improvements in customer experience, Episode NPS improved eleven points in the last 12 months and five points in the last six. Strategic NPS declined two points in the last 12 months and four points in the last six, although remains up 13 points since the launch of T22."

Mr Penn said Telstra was well progressed with its proposed legal restructure and noted the changes to legislation consistent with this.

"There are still a couple of steps we need to conclude and we anticipate announcing the details of the scheme process by the end of this quarter."

Early progress against T25

Mr Penn said while there was more to do to finish the job on T22, Telstra had also started to make early progress against its T25 scorecard.

"Earlier this month we announced two major telecommunications infrastructure projects – Viasat and the national fibre build – to support the nation's digital economy and enable unprecedented levels of connectivity across Australia," Mr Penn said.

"In October last year we announced the acquisition, in partnership with the Australian Government, of Digicel Pacific adding 2.5 million customers and leading mobile businesses in PNG, Fiji, Vanuatu, Tonga, Nauru and Samoa to our International business.

"Last month, Telstra Health was selected to deliver 1800RESPECT for an initial five years at an estimated contract value of around $200 million, which adds to recent health acquisitions.

"Telstra Energy received the final license approvals for Victoria In December. This adds to earlier licences in Queensland, New South Wales, and South Australia and we are now trialling the product with our first customers.

"In November we announced our intent to form a new joint venture to bring together Quantium's market-leading data science and AI capabilities with our customer, product and network data assets. This unique partnership is a key enabler for our T25 data and AI ambitions."

Operational highlights – simplified plans helping to boost growth

Telstra continued to see growth in the mobile market on the back of its investment in customer-centric plans and unparalleled network leadership.

"Our continued focus on mobile network leadership and building value resulted in five percent post-paid handheld ARPU growth, 6.3 percent mobile services revenue growth and $392 million mobile EBITDA growth," Mr Penn said.

"We added 84,000 net retail post-paid mobile services including 62,000 branded with a strong contribution from Enterprise. Our branded performance reinforces the benefits of our clear leadership in 5G.

"InfraCo Fixed income was $1.2 billion for the half, increasing 1.5 percent excluding commercial works."

Mr Penn said Telstra Enterprise returned to income and EBITDA growth, and was on track to deliver growth for the full year, in line with Telstra's previously communicated aspiration.

"NAS income and EBITDA grew in the half by 2.4 percent and 67 percent respectively.

"Telstra Enterprise also recently signed a major contract with the Department of Defence.

"Telstra Health also had a strong half both operationally and strategically – revenue was up nine percent or 37 percent including acquisitions.

"Our performance in C&SB Fixed has been more challenged particularly as we are now at the tail end of the migration to the nbn and dealing with the most difficult cases. Net new retail bundles were negative 50,000, however bundle and standalone data ARPU increased 0.5 percent," Mr Penn said.

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[1] Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments (guidance adjustments defined in footnote 3). FY20/21 underlying EBITDA also includes depreciation of mobile lease right-of-use assets.
[2] Calculated as Profit After Tax after Minority Interests (PATMI) attributable to each share, excluding net one-off nbn receipts and guidance adjustments (guidance adjustments defined in footnote 3).
[3] This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Refer to half year results and operations review – guidance vs reported results reconciliation which details the adjustments made for the current and comparative period to reflect performance on the basis on which we provided guidance to the market for FY22 (set out in our ASX announcement titled "Telstra Corporation Limited - Financial results for the half-year ended 31 December 2021" lodged with the ASX on 17 February 2022).