15 February 2024

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AUSTRALIA

ELECTRONIC LODGEMENT

- Telstra Group Limited (ACN 650 620 303) – ASX: TLS
- Telstra Corporation Limited (ACN 051 775 556) - ASX: TL1

Telstra half year results show continued growth

In accordance with the Listing Rules, attached is a market release by Telstra Group Limited for release to the market. The market release is also provided for the information of Telstra Corporation Limited noteholders.

Release of announcement authorised by:

The Telstra Group Limited Board

Telstra half year results show continued growth

Thursday, 15 February 2024: Telstra today released its Half Year Results for financial year 2024, showing continued growth in reported and underlying earnings, with positive momentum across many key indicators.

Highlights:

- Total income[i] $11.7 billion (+1.2%)
- Reported EBITDA of $4.0 billion (+3.8%) and Underlying EBITDA[ii] of $4.0 billion (+3.1%)
- Net Profit After Tax (NPAT) of $1.0 billion (+11.5%)
- Reported ROIC[iii] of 7.8% (+0.7pp) and Underlying ROIC[iv] of 7.8% (+0.3pp)
- Earnings Per Share (EPS) of 8.4 cents (+12%)

Telstra CEO Vicki Brady said overall momentum was good, driven by continued growth across mobile, Fixed C&SB and infrastructure.

“Our mobiles business remains central to growth and continues to perform strongly, growing EBITDA almost $300 million in the half driven by more customers, ARPU growth and cost discipline,” said Ms Brady.

“Our Consumer & Small Business Fixed business more than doubled EBITDA largely due to productivity, and our Infrastructure businesses also grew, reflecting continued strong demand for our assets.

“Within our Enterprise Fixed business, Data & Connectivity is performing as expected, however NAS is clearly a long way from where we need it to be.”

Ms Brady said Telstra had commenced a detailed review of its domestic Enterprise business and had a clear set of immediate and significant actions to address performance, which were both cost and revenue based.

“We are undertaking a full review of the products and services we provide within our Enterprise business, and particularly our NAS portfolio, to make sure they both meet the current and future needs of our customers, and create shareholder value,” said Ms Brady.

“Given the performance in our NAS business, we are tightening our FY24 Underlying EBITDA guidance range to $8.2 to $8.3 billion. FY24 guidance across other measures is reaffirmed.

“We have remained disciplined on reducing our costs, particularly considering the external economic environment. This discipline during the half delivered $64 million core fixed cost out, and cumulatively we've delivered $105 million since FY22.

“We remain absolutely committed to capital discipline, and delivering our T25 Underlying EBITDA, EPS and ROIC growth ambitions.

“While we’re being challenged by cost pressure, we still expect to achieve the large majority of our cost out ambition by the end of FY25.”

The Board resolved to pay a fully franked interim dividend of 9.0 cents per share, representing a 5.9 per cent increase compared to last year. This is consistent with Telstra’s capital management framework to maximise the fully franked dividend and seek to grow it over time.

Progress on T25 strategy

The positive momentum in the half was reflected in the progress made against Telstra’s T25 strategy, which overall is on track.

"We're now halfway through T25, which is a huge milestone and I'm very proud of what the team has delivered so far," said Ms Brady.

"We continue to see the positive impact of product simplification and digitisation on customer experience. We have 93 per cent of Consumer & Small Business sales on our new digital stack, and overall we have digitised 71 per cent of our key service transactions.

"On digital leadership, we continue to invest in our digital capabilities to help improve customer experience, uplift our productivity, and help industries and businesses to digitise. Within Telstra, we are now using AI to improve half of our key processes, including to automatically detect and resolve fixed services faults, and to solve customer issues faster.

"Cyber security, identity and scam protections remain extremely important to us and our customers. After a successful pilot, we launched our Scam Indicator in partnership with the Commonwealth Bank to help protect more Australians from phone scams. Through our Cleaner Pipes initiative, we are blocking on average more than 10 million scam calls and 11 million scam SMS's each month. And we're also blocking almost 280 million scam and unwanted emails reaching our BigPond customers each month."

Ms Brady said Telstra had helped around one million customers in vulnerable circumstances stay connected in the half, and mobilised more than 3,000 of its people on the ground and via its disaster assistance line to respond to cyclones, storms and flooding.

"We know the external environment is putting pressure on consumers and businesses, and we will continue to invest to deliver connectivity that is reliable, resilient and secure, and offer plans that are simple and deliver the services and choices our customers need," said Ms Brady.

"All of this work has helped to keep customer complaints at record lows, and Episode NPS at record highs."

During the half, progress on T25 also included:

- 5G population coverage reached around 87 per cent, with 48 per cent of mobile traffic on 5G.
- The target of an additional 100,000 sq kms of mobile coverage was achieved ahead of time, with more than 140,000 sq kms now added since FY21.
- The launch of Telstra's enterprise internet product powered by Starlink, with a world first consumer broadband and voice product powered by Starlink expected to be released in March.
- Progress on the rollout of OneWeb LEO satellite backhaul for remote mobile sites, with hundreds of sites to be migrated over the next 18 months.
- Progress on Telstra's Intercity Fibre network build, with more than 540kms in the ground and five new routes to begin construction in 2025, as well as an expansion to its network in the Pilbara.
- Continued investment in subsea cables and satellite landing stations in Asia and the US to support capacity demand.
- Being on track to achieve all sustainability targets, including enabling renewable energy output equivalent to 100 per cent of its own electricity consumption by 2025.

Focus for the second half

Ms Brady said Telstra was Australia's biggest investor in digital infrastructure and continued to invest in areas of structural growth.

"This is absolutely foundational infrastructure for Australia and the region, and means we are uniquely placed to lead in the digital economy, and meet the increasing demand for data being driven by technologies including AI," said Ms Brady.

"In the second half of FY24 we will continue to prioritise activities that deliver a better customer experience, and invest in the capabilities and infrastructure we need to deliver sustainable growth now and beyond T25."

Telstra will focus on four key areas to maintain its financial momentum and deliver sustainable growth:

- Continuing to improve the customer experience – including by finishing the job on migrating its Consumer & Small Business customers onto its new digital stack.
- Continuing to grow the business – including continued growth in mobile, addressing challenges in NAS, and achieving the large majority of its cost out ambition.
- Strengthening its culture by embedding its new behaviours, as well as attracting, retaining and developing the best talent – including through upskilling its people on data and AI technologies.
- Setting up the business for long term growth – including investment in digital infrastructure and active portfolio management to maintain the strength of its balance sheet, optimise returns and unlock value.

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[i] Total income excluding finance income
[ii] Underlying EBITDA excludes guidance adjustments, and in FY23 and prior years also excludes net one-off nbn DA receipts less nbn net C2C. Guidance adjustments include 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 FY24 (set out in our ASX announcement titled "Financial results for the half-year ended 31 December 2023" lodged with the ASX on 15 February 2024)
[iii] ROIC calculated as Net Operating Profit After Tax (NOPAT) as a percentage of total capital
[iv] Underlying ROIC calculated as NOPAT as a percentage of total capital, excluding net one-off nbn receipts and guidance adjustments (as defined above) less tax