



17 August 2023

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**ELECTRONIC LODGEMENT**

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

**Telstra delivers continued growth and positive momentum**

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 delivers continued growth and positive momentum

**Thursday 17 August 2023** - Telstra today delivered its Full Year Results for financial year 2023, showing continued financial growth and positive momentum through the first year of its T25 strategy.

Financial performance in FY23 included:

- Total income<sup>i</sup> of \$23.2 billion (+5.4%)
- Reported and Underlying EBITDA<sup>ii</sup> of \$7.9 billion (+8.4%) and \$8.0 billion (+9.6%)
- Net Profit After Tax (NPAT) of \$2.1 billion (+13.1%)
- Reported and Underlying<sup>iii</sup> ROIC of 7.9% (+0.8pp) and 8.1% (+1.1pp)
- Earnings Per Share (EPS) of 16.7 cents (+16%)

Telstra CEO Vicki Brady said Telstra's T25 strategy was on track overall, including its growth ambitions in underlying EBITDA and EPS.

"Our mobiles business remains central to our growth and continues to perform very strongly. Our infrastructure, international, Consumer and Small Business (C&SB) fixed line and health businesses also grew earnings. At the same time, there are aspects of our Enterprise fixed business that are experiencing headwinds.

"We remain disciplined on reducing our costs, particularly considering the external economic environment," said Ms Brady.

On the back of continued growth in the year, the Board resolved to pay a fully franked final dividend of 8.5 cents per share, bringing total dividends for the year to 17 cents and representing a 3 per cent increase on the prior corresponding period. The final dividend is consistent with Telstra's policy to maximise the fully franked dividend and seek to grow it over time.

### Progress on T25 strategy

The positive progress in the year was reflected in Telstra's T25 scorecard, which showed the company was on track to deliver the majority of T25 objectives.

"In a few months' time we will hit the halfway point in delivering our strategy and the response from customers tells me we are absolutely on the right path," said Ms Brady.

"We continue to see the positive impact of product simplification, digitisation, answering consumer and small business calls in Australia, and bringing our retail stores in house.

"Our Strategic Net Promoter Score increased four points during the year, Episode Net Promoter Score is at historic highs, and we achieved our strongest reputation result in 15 years. Australians are beginning to see a change in us, driven by improvements in customer experience, continued network leadership, and our strength in cyber security.

"Telstra continues to lead the industry on stopping scams, and our Cleaner Pipes program is detecting and blocking more email, SMS and phone scams than ever before. We are now blocking more than 9 million scam calls and around 20 million scam SMS each month. We have also taken steps to improve the way we collect and retain customer ID data to help reduce the risk of cybercrime for our customers.

"As a result of customer experience improvements, customer complaints reduced to a record low in the year. Complaints from Telstra's Consumer & Small Business customers to the Telecommunications Industry Ombudsman reduced by more than a third on the prior year, and 98 per cent of Telstra Enterprise billing disputes are now resolved within one billing cycle.

"I am proud of our progress on customer service, but I also know we have more work to do, and we are accelerating to get there faster.

"The year ahead will be critical for us, with a lot to deliver. We will continue to prioritise activities with the greatest impact on customer experience and invest in the capabilities and assets we need to deliver sustainable growth," said Ms Brady.

During the year significant progress on T25 also included:

- 5G population coverage reached the FY23 target of 85 per cent, and 41 per cent of mobile traffic was on 5G. Total mobile coverage at the end of FY23 was 2.72 million square kilometres, after adding 80,000 square kilometres in the last two years.
- Deals signed with Low Earth Orbit satellite providers OneWeb and Starlink mean Telstra will soon deliver new and improved services in regional and remote Australia.
- Construction was well underway on Telstra's new intercity fibre project, with strong interest from hyper-scalers, other operators, satellite providers and national enterprises.
- Absolute scope 1+2 emissions have now been reduced by 30 per cent from an FY19 baseline – a great result towards the ambition to reduce absolute emissions by at least 50 per cent by 2030.

## **Infrastructure value creation**

Telstra completed its corporate restructure in January 2023 and Ms Brady said Telstra had achieved the three goals it set when establishing InfraCo: creating transparency of the infrastructure business, running it as a standalone business, and providing optionality.

"We have created a strong digital infrastructure operator and are seeing strong customer demand for our infrastructure, while our customers' needs and long-term demands continue to evolve," said Ms Brady.

"This is being shaped by the shift to the cloud and rapid AI adoption driving data centre and edge requirements, along with needs for domestic fibre and undersea cable.

"After thoroughly examining alternatives, we have concluded that the greatest value to be created for shareholders is by maintaining the current ownership structure of InfraCo Fixed, for at least the medium term.

"Our focus remains on delivering long-term, sustainable growth, and the objectives and principles of our capital management framework, including seeking to grow our dividend. InfraCo Fixed plays an important role in enabling this, particularly in an inflationary environment."

## **Looking beyond T25**

Ms Brady said that Telstra had a critical role to play in Australia's future, and the significance of that role will only grow.

"As connectivity increasingly underpins the way we live and work, Telstra is in a strong position to play an important role in Australia's digital future," said Ms Brady.

"The infrastructure investments we are making, including our inter-city fibre network and submarine cable network, will underpin a more digitised future and see us strategically positioned for growth.

"We are working with customers across industries to help them to digitise and unlock productivity gains that flow through to the national economy and to global markets through our international business.

"We also continue to invest in capabilities and partnerships to grow our offering in areas including Artificial Intelligence, data analytics, Internet of Things, and cyber security, and I am optimistic about the potential for growth in these areas beyond T25.

"At the same time, we are bringing new and better connectivity options to regional and remote areas that help close the digital divide and lift digital inclusion."

## FY24 focus areas and financial guidance

Ms Brady said she was proud to lead a highly capable team and of what it had achieved in the year, including continued growth, progress on T25, and a solid foundation for growth beyond T25.

"Looking ahead to FY24, lifting customer experience remains my top priority, and I believe that if we are successful in that, we will in turn achieve our growth ambitions.

"While our cost reduction ambition is being challenged by high inflation, we still expect to achieve the large majority of this by FY25. We remain absolutely committed to delivering our FY25 underlying EBITDA and EPS growth ambitions.

"I am very optimistic about the role we can play in Australia's digital future. By investing to underpin the digital economy and bring better connectivity to regional and remote areas, we will create value for our customers, our shareholders, and for the nation," said Ms Brady.

Telstra provided the following financial guidance<sup>iv</sup> for FY24:

- Total income of \$22.8 to \$24.8 billion
- Underlying EBITDA<sup>ii</sup> of \$8.2 to \$8.4 billion
- Capex<sup>v</sup> of \$3.6 to \$3.7 billion
- Free cashflow after lease payments (FCFaL)<sup>vi</sup> of \$2.8 to \$3.2 billion

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<sup>i</sup> Total income excluding finance income

<sup>ii</sup> 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 Full 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 FY23 (set out in our ASX announcement titled "Financial results for the Full year ended 30 June 2023" lodged with the ASX on 17 August 2023)

<sup>iii</sup> Underlying ROIC defined as NOPAT as a percentage of total capital, excluding net one-off nbn receipts and guidance adjustments (as defined above) less tax

<sup>iv</sup> 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.

<sup>v</sup> Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases

<sup>vi</sup> Free cashflow after lease payments defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities' and excludes spectrum and guidance adjustments.