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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra increases dividend on back of T22 completion, continued underlying growth and strong mobiles performance

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

Authorised for lodgement

Sue Laver
Company Secretary



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Key financial metrics

FY22 Reported

- **Total income:** \$22.0 billion (-4.7%)
- **EBITDA:** \$7.3 billion (-5.0%)
- **NPAT (Profit):** \$1.8 billion (-4.6%)
- **Earnings per share (EPS):** 14.4 cents (-7.7%)

FY22 Guidance basis¹

- **Underlying EBITDA²:** \$7.3 billion (+8.4%)
- **Underlying EPS³:** 14.4 cents (+48.5%)
- **Capex⁴:** \$3.0 billion (+0.7%)
- **Free Cashflow⁵:** \$4.0 billion (+5.9%)

Thursday, 11 August 2022 – Telstra today increased its dividend for the first time in seven years following the successful completion of T22 and strong momentum in its underlying business.

Speaking at the full year results presentation, Telstra CEO Andy Penn said Telstra's T22 strategy had set the company up well to manage through the current uncertain economic climate and created the foundation for growth.

"When we launched our T22 strategy four years ago, we were in part responding to the operational and financial headwinds created by the rollout of the nbn. We were also responding to the technology innovation we could see around us and the growing rate of digital adoption," Mr Penn said.

"We knew we needed to fundamentally transform the company, to simplify and digitise, to set bold aspirations and radical interventions and that is what we have done.

"Telstra is a very different company today and while of course there is always more to do, we are much better equipped to face the very exciting digital future ahead.

"What we could not have foreseen was COVID and the other seismic economic, political and social changes that have unfolded.

"While we are by no means immune, the transformational changes we made through T22 have prepared us well to manage through the uncertainty – we are a much simpler, more agile, more efficient, leaner, more customer-focussed and more digitally-enabled business.

Mr Penn said FY22 saw Telstra's core business perform strongly.

"Our mobiles result was outstanding, Consumer & Small Business Fixed grew sequentially in the second half, Enterprise returned to growth and we started to realise the benefits of setting up our infrastructure assets as standalone InfraCo businesses," Mr Penn said.

"We also continued to take cost out of the business, with underlying fixed costs down \$454 million and total operating expenses down \$906 million, or 5.8 percent."

The Board resolved to pay a fully-franked dividend of 8.5 cents per share, bringing the total dividend for the year to 16.5 cents per share. Importantly, this included an increase in the ordinary dividend from 10 to 13.5 cents per share, and will see around \$1.9 billion returned to shareholders, on top of the successful \$1.35 billion share buyback completed in May 2022.

"This represents the first increase in the total Telstra dividend since 2015 and recognises the confidence of the Board following the success of our T22 strategy, the ambition in our T25 strategy of high-teens EPS growth from FY21 – FY25, the strength of our balance sheet and the recognition by the Board of the importance of the dividend to shareholders," Mr Penn said.

It also marks the end of the nbn one-off related special dividend given the nbn rollout is complete and Telstra met its commitment to return in the order of 75 percent of net one-off nbn receipts to shareholders over time.

Key operating highlights

The mobiles business performed very strongly with \$700 million EBITDA growth (+21.2 percent), 2.9 percent postpaid handheld ARPU growth and 6.4 percent mobile services revenue growth.

155,000 net retail postpaid handheld services were added, including 121,000 branded with a strong contribution from Enterprise. On top of this, one million IoT services were added, along with 218,000 Wholesale services.



InfraCo Fixed income was \$2.4 billion, with core access revenue up 3.1 percent including nbn recurring receipts up 3.3 percent. Amplitel was established as a standalone business with sale of a non-controlling 49 percent interest delivering net cash proceeds after transaction costs of \$2.8 billion. Amplitel revenue increased by 8.9 percent.

Performance in Fixed for Consumer and Small Business customers was more challenged and continued to be impacted by the tail end of the nbn migration, however there is confidence EBITDA has bottomed. While retail bundles reduced by 87,000, bundle and standalone data ARPU increased by 2.4 percent.

Enterprise returned to growth at both the income and EBITDA level. Fixed Enterprise EBITDA increased 2.3 percent, with NAS EBITDA growth of \$152 million offsetting declines in data access and connectivity.

In November, a five-year contract was renewed with the Australian Department of Defence to deliver critical network and telecommunications services in a deal worth over \$1 billion – the largest ever customer contract signed by Telstra Enterprise.

EBITDA in the existing International business grew 15.2 percent in Australian dollars. In addition, the recently completed acquisition of Digicel Pacific in partnership with the Australian Government delivered 100 percent ordinary equity in a strategically and financially important asset in the Pacific with a very close alignment to Telstra's core strengths.

Telstra Health had a strong year with revenue up 51 percent to \$243 million after including the MedicalDirector and Power Health acquisitions. Telstra Health was also successful in being selected by the Government to deliver the 1800RESPECT service. It is on track to become a \$500 million revenue business by FY25.

FY22 also included a number of strategic announcements and early progress against some aspects of T25:

In mobiles, Telstra signed a landmark network sharing agreement with TPG Telecom. Subject to clearance by the ACCC, this will be a win for regional Australia, providing more choice and additional capacity. Telstra also committed \$616 million to secure the maximum possible amount of low band spectrum to maintain Telstra's leading mobile network for customers, especially in regional and rural Australia.

Major infrastructure announcements included a partnership with global satellite communications company, Viasat, to support its new Asia Pacific satellite constellation, and a significant upgrade of Telstra's nationwide inter-city fibre network to enable ultra-fast connectivity between capital cities, for which Microsoft was recently announced as an anchor tenant.

On the ESG front, Telstra's extended its 50 percent emissions reduction target to cover scope 3 emissions, which includes the emissions from suppliers and customers.

Telstra also reached a number of new Enterprise Agreements that provide certainty on wages for a large proportion of employees for the next two years.

Finally, Telstra made good progress on finalising its proposed corporate restructure. Pending Court approval, Telstra will shortly publish a scheme booklet that provides information on its proposed corporate restructure, an important element of which is the Scheme of Arrangement. This will be put to a shareholder vote at a Scheme Meeting anticipated to be held on the same day as Telstra's AGM in October.

Strategic highlights

Mr Penn said the T22 program had been a clear success and Telstra was delivering a better experience for its customers and employees.

"Episode NPS is stronger than ever, improving five points in the last 12 months and 18 points since the beginning of the T22 program. Employee engagement increased to 82 by the end of June which, although just short of the ambitious target that was set, was still significant progress with Telstra now among the top performing companies globally," Mr Penn said.

The T22 highlights achieved over the four years of the program include:

- The radical simplification of the business including reducing the number of Consumer & Small Business in-market plans from 1800 to 20. There are now 10.2 million services on these plans.
- Leading the market in removing lock in contracts and excess data charges.
- 4.5 million customers signed up to the Telstra Plus rewards program, and engagement with members is high, with rewards store redemptions growing by more than 80 percent in FY22.



- Almost half of all sales interactions with Consumer & Small Business customers and more than three quarters of all service interactions are digital.
- The number of calls coming into Telstra's Consumer & Small Business contact centres has fallen by more than 70 percent, and these calls are now all answered in Australia.
- Licensee stores were brought back in house with all Telstra stores now Telstra owned and operated.
- Telstra's 5G network is around twice the size of the next nearest competitor, covering 80 percent of the population with 3.5 million 5G capable devices already connected.
- Factoring in the Towers sale, close to \$5 billion of assets were monetised.
- The T22 productivity target of \$2.7 billion was achieved.
- Underlying ROIC⁶ improved by 2 percentage points to 7.0 percent in FY22 and is on track to meet the FY23 target of around 8 percent.

FY23 guidance and outlook

Telstra provided the following financial guidance for FY23¹, which anticipates continued underlying business growth:

- Total Income of \$23.0 billion to \$25.0 billion.
- Underlying EBITDA² of \$7.8 billion to \$8.0 billion.
- Capex⁴ of \$3.5 billion to \$3.7 billion.
- Free cashflow after lease payments (FCFaL)⁵ of \$2.6 billion to \$3.1 billion.

On underlying EBITDA, guidance is provided within our previous FY23 ambition range, plus a contribution from Digicel Pacific, which is included in all FY23 measures.

Capex guidance includes around \$350 million of strategic investments in inter-city fibre and for the Viasat contract, and around \$150 million for Digicel Pacific.

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¹ This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and other such items as determined by the Board and management.

² Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments. FY20/21 underlying EBITDA also included depreciation of mobile lease right-of-use assets.

³ Underlying EPS calculated as PATMI attributable to each share, excluding net one-off nbn receipts and guidance adjustments.

⁴ Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.

⁵ Free cashflow after lease payments (FCFaL) defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities', and excludes spectrum and guidance adjustments.

⁶ Underlying ROIC calculated as NOPAT as a percentage of total capital, excluding net one-off nbn receipts and guidance adjustments less tax.