

13 February 2020

Optus delivers continued customer growth in third quarter

Optus quarterly operating revenue was slightly lower year on year at \$A2,393 million, with higher NBN migration revenue offsetting lower equipment and service revenues.

Mobile customers increased by 229,000 services, including 57,000 new postpaid mobile services and 157,000 prepaid mobile services.

Mobile Service revenue declined 3%, reflecting a higher proportion of SIM-only customers and data price competition. The reduction in handset subsidies has led to lower demand for handsets, impacting quarterly Mobile Equipment revenue.

In Mass Market Fixed, Optus' NBN customer base grew by 254,000 customers from a year ago. Fixed retail revenue grew 46%, driven by higher NBN migration revenue and strong NBN customer growth.

In the enterprise market, Optus Business quarterly revenue and EBITDA declined year on year reflecting intense competition, including from new entrants reselling the NBN. On a sequential quarterly basis, Optus Business posted higher revenue and EBITDA as improved orders reflect measures taken to stabilise the business.

A strong focus on cost management saw a 4% decline in operating expenses for the quarter.

EBITDA increased 6% to \$700 million, underpinned by NBN migration revenues. Excluding NBN migration revenue, EBITDA declined 25% due to increased traffic costs from a higher NBN customer base and lower contributions from Mobile Equipment revenues. Net profit for the quarter declined to A\$131 million.

Free cash flow was up 70% to A\$271 million.

Optus CEO Allen Lew said, "This has been a transitional quarter as we adjust to increasing customer demand for SIM-only plans. We have listened to Australians and introduced our new differentiated Optus Choice and Optus One plans that provide customers with the flexibility to personalise their plan features and pricing."

Optus continued to roll-out 5G sites with over 400 5G sites switched on at the end of December 2019.

Mr Lew said, "We achieved a major milestone in the quarter as we brought our 5G services for both home internet and mobile to the Australian market. Our 5G home internet service has achieved excellent customer feedback as it delivers an always-on and reliable super high-speed internet into the home."

Media release

Exclusive content remains a core differentiator. Optus Sport has reached 825,000 active subscriber accounts as football fans continue to enjoy exclusive premium football content, including the recently- announced premier Japanese football tournament, the J League.

Optus also topped Brand Finance's prestigious Top 100 list of Australia's Strongest Brands, a leap from 4th place a year ago.

Mr Lew concluded, "As recent bushfires devastated parts of Australia, the Optus teams across the business pulled together to keep Australians connected and to activate a range of measures to support customers, volunteers, and small businesses, including the announcement of our Green Shoots program to support efforts to rebuild local communities over the coming year."

Financial Highlights For the Third Quarter and Nine Months Ended 31 December 2019

	Quarter		YoY Chge %	31 Dec		YoY Chge %
	Nine Months			Nine Months		
	2019	2018		2019	2018	
	A\$m	A\$m		A\$m	A\$m	
Operating revenue	2,393	2,419	-1.1	6,850	6,796	0.8
EBITDA	700	664	5.5	2,090	1,951	7.2
- <i>margin</i>	29.3%	27.4%		30.5%	28.7%	
EBIT	254	291	-12.8	733	840	-12.7
Underlying net profit	140	172	-18.5	392	488	-19.6
Net profit	131	172	-24.2	365	431	-15.2
Free cash flow	271	159	70.5	857	582	47.3

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