

Optus delivers a quarter of Revenue, EBITDA and Profit Growth *Strongest quarter of mobile handset customer growth in 5 years*

Australia – Optus reported resilient fourth quarter results, underpinned by increases in its mobile customer base and strong fixed revenue growth.

Against a backdrop of heightened competition, Optus grew its quarterly EBITDA by 0.3% year-on-year to A\$741 million. Net profit was up 1% to A\$250 million.

Operating revenue rose 1.6% to A\$2.11 billion, driven by higher NBN revenues and equipment sales.

Free cash flow for the quarter was lower by 44% to A\$202 million due to higher cash capital expenditure and working capital movements.

In the Consumer Australia business, mobile service revenue declined 3%. Excluding the impact of device repayment plan credits, mobile service revenue was up 4%, while blended mobile ARPU was stable year-on-year.

During the quarter, Optus continued to leverage its popular mobile entertainment plans, together with its extensive investments in 4G services, to continue its mobile customer growth momentum. Optus had its strongest quarter of mobile handset growth in five years, gaining 78,000 postpaid and 64,000 prepaid services, bringing its total mobile base to 9.72 million customers.

Demand for 4G services continued to grow with 256,000 new sign ups this quarter. At the end of the period, Optus' total 4G mobile subscriber base reached 5.8 million and accounted for 60% of the mobile base.

Mass Market Fixed operating revenues grew 19%, driven by a combination of strong customer growth and NBN migration payments. At the end of the quarter, Optus had 228,000 NBN broadband customers, and a total of 1.15 million broadband customers, up by 7% on last year.

For the full year, Optus' operating revenue declined by 8% to A\$8.43 billion, affected by the mandated reduction in mobile termination rates from 3.6 cents per minute to 1.7 cents per minute for calls, and 7.5 cents to 0.03 cents for SMS.

Full year EBITDA declined by 4% to A\$2.67 billion. This was driven by two factors: lower contributions from the Enterprise business due to heightened price competition, and higher Consumer service revenues which were offset by device repayment service credits and increased content costs. Net profit dipped 12% to A\$794 million.

Free cash flow for the full year declined 19% to A\$500 million due to higher cash capital expenditure and the payment of \$134 million to the Australian Taxation Office (ATO) for amended assessments which are currently being disputed. Excluding the Australian Taxation Office payment, free cash flow grew A\$17 million year-on-year.

Allen Lew, Optus Chief Executive said, "Despite heightened competition in the Australian market, Optus' strategy of delivering customer growth through music, TV and sports content, underpinned by a robust and resilient mobile network, is on track."

Throughout the year, Optus continued to enhance the competitiveness of its network – with A\$1.5 billion in capital expenditure. At the end of March 2017, Optus' 4G network reached 96.1% of Australians. Through the deployment of significant spectrum holdings and innovative technologies such as 4.5G and native Voice over WiFi, Optus is improving network coverage and download speeds for its data-hungry customers.

"We welcome the ACCC's draft decision not to declare domestic mobile roaming. This decision will provide Optus with the certainty it needs to invest a further \$1.5 billion in 2017/18 to deepen network capacity and coverage, and continue delivering high quality services, choice and competition, particularly in regional Australia," Mr Lew said.

Media release

Financial Highlights

	Quarter		YoY Chge %	Full Year		YoY Chge %
	31 Mar			31 Mar		
	2017 A\$ m	2016 A\$ m		2017 A\$ m	2016 A\$ m	
Operating revenue	2,106	2,073	1.6	8,425	9,115	-7.6
EBITDA	741	739	0.3	2,669	2,771	-3.7
EBITDA margin	35.2%	35.7%		31.7%	30.4%	
EBIT	397	410	-3.1	1,312	1,444	-9.2
Underlying net profit	250	273	-8.5	819	931	-12.0
Net profit	250	247	1.1	794	901	-11.8
Free cash flow	202	358	-43.8	500	617	-19.0

Note ⁽¹⁾ Excluding the payment made to the Australian Taxation Office for amended assessments currently under dispute.

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