

12 May 2016

Optus Delivers Full Year Revenue and EBITDA Growth

Australia – Optus today reported another year of EBITDA and net profit growth. Optus also reported solid fourth quarter results, underpinned by strong increases in the Optus branded mobile customer base and revenue growth in the fixed broadband business.

Quarterly Results

For the quarter ended 31 March 2016, Optus' EBITDA increased 2% to A\$739 million. Underlying net profit grew 10% to A\$273 million.

Operating revenue declined 9% due to the Australian Competition and Consumer Commission's regulated reduction of industry mobile termination rates, but with minimal impact on profitability. From 1 January 2016, all carriers' mobile termination rates declined from 3.6 cents per minute to 1.7 cents per minutes for calls, and 7.5 cents to 0.03 cents for SMS.

Operating expenses for the quarter fell 14%, driven by lower interconnect costs associated with reduced termination rates, as well as customer acquisition and retention costs. Free cash flow for the quarter was A\$358 million.

Blended mobile handset average revenue per user (ARPU) increased 5% year-on-year, excluding the impact of the decline in mobile termination rates and device repayment plan credits.

In Consumer Mass Market Fixed, quarterly operating revenue grew 4%, due to growth in Optus' NBN customer base and NBN payments, the introduction of resale DSL in regional markets, and competitive entertainment offers including Yes TV by Fetch and a Stan subscription offer. Optus now has 113,000 NBN Broadband customers, and a total of 1.07 million broadband customers.

Relentlessly improving our networks

Optus continues to invest to enhance the depth, strength and reliability of its 4G Plus mobile network. Through the deployment of our significant spectrum holdings and innovative technologies such as carrier aggregation, we are improving network coverage and download speeds for data-hungry customers. In our fixed networks, we are expanding our links into the NBN, adding new DSLAM ports in network exchanges, and expanding our Content Delivery Networks to improve reliability and bandwidth.

Optus' ongoing network investment program is yielding results with its mobile and fixed networks recognised by three independent benchmarks. Optus' broadband network has been ranked first in the monthly Netflix Internet Service Provider index and the number one streaming experience for Stan* customers for the last seven consecutive months. In February, Optus received the Market Development Award from the Global TD-LTE Initiative for its 4G carrier aggregation technology.

Growing Customers

Demand for 4G services continues. Optus added 231,000 4G customers, and at the end of the period had 4.68 million 4G Plus customers, a 33% year-on-year increase.

Optus had its strongest fourth quarter for Optus-branded postpaid net adds, with the addition of 78,000 customers. Overall, postpaid handset customers grew 69,000, excluding the impact of the deactivation of wholesale customers. Prepaid handset customers grew with net additions of 16,000 subscribers.

Full Year Results

For the financial year ended 31 March 2016, Optus delivered full year revenue and EBITDA growth.

Operating revenue was up 4% to A\$9.12 billion. EBITDA grew 6% to A\$2.77 billion, while annual net profit grew 7% to A\$901 million. Underlying net profit also grew 7% year-on-year to A\$931 million. EBITDA margin improved 0.6 percentage points to 30.4%. Free cash flow for the full year declined by 37% to A\$617 million, due to working capital movements.

Media release

Allen Lew, Optus Chief Executive Officer, said, "The strong results which Optus has reported over the last year reinforces that our focus on providing convergent mobile, fixed and multi-media services, combined with our innovative offers, is gaining traction with Australians. We are well on track to achieve our three-year targets which will see us transform our core business, by investing in mobile networks and content services."

Financial Highlights

	Quarter		YoY Chge %	Full Year		YoY Chge %
	31 Mar			31 Mar		
	2016 A\$ m	2015 A\$ m		2016 A\$ m	2015 A\$ m	
Operating revenue	2,073	2,285	-9.3	9,115	8,790	3.7
EBITDA	739	723	2.3	2,771	2,624	5.6
<i>EBITDA margin</i>	35.7%	31.7%		30.4%	29.9%	
EBIT	410	392	4.6	1,444	1,364	5.9
Underlying net profit	273	248	10.1	931	873	6.6
Net profit	247	239	3.5	901	841	7.1
Free cash flow	358	405	-11.6	617	976	-36.8

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* Information provided by Stan