

10 November 2016

Optus drives branded mobile customer growth with differentiated content and network expansion

Australia – Optus today reported quarterly EBITDA of A\$633 million, which was affected by device repayment plan service credits and higher costs associated with the launch of Optus Sport.

Optus' suite of entertainment content was a key driver of mobile customer growth this quarter. With its compelling range of offers, including data-free TV and movies, music, and the Premier League, Optus' branded segment had a record quarter of growth, adding 107,000 postpaid handset customers. Across all business segments, Optus gained 84,000 mobile customers during the quarter, bringing the total mobile base to 9.42 million.

Net profit for the quarter was A\$184 million and free cash flow for the quarter was A\$221 million.

Operating revenue declined 9.0% and was driven by the Australian Competition and Consumer Commission's (ACCC) regulated reduction in mobile termination rates, and higher service credits associated with device repayment plans. From 1 January 2016, mobile termination rates declined from 3.6 cents per minute to 1.7 cents per minute for calls, and 7.5 cents to 0.03 cents for SMS.

Excluding the impact of mobile termination rates and device repayment plan credits, postpaid average revenue per user (ARPU) increased 3% year-on-year.

In Mass Market Fixed, operating revenue increased 6%, reflecting strong demand for Optus' home broadband entertainment bundles and NBN plans. At the end of September 2016, Optus had 164,000 broadband customers on the National Broadband Network, up 130% year-on-year. Optus now has a total of 1.11 million broadband customers.

Demand for 4G mobile services continues to grow with 335,000 new sign-ups this quarter. As at 30 September 2016, Optus' total 4G mobile subscriber base reached 5.27 million and accounted for 56 per cent of its mobile base.

Allen Lew, Optus Chief Executive Officer said, "These first half results reflect Optus' efforts to drive customer growth through differentiated content. Optus has successfully deepened its engagement with customers, achieving a record quarter of customer growth for our branded mobile business, and strong demand for Optus' unique entertainment content."

The growing entertainment portfolio was enhanced by further investments in Optus' mobile and fixed networks. During the quarter, Optus continued to focus on enhancing network capacity and extending its 4G footprint to 95.7% of Australians. For the 13th consecutive month, major streaming providers, Netflix and Stan, ranked Optus as Australia's leading ISP for content streaming.

"Optus is seeing signs that its focus on product innovation and network investment is having a positive effect on customer advocacy, with our Market Net Promoter Score (NPS) improving 6 points to +12. This is our highest score since we began tracking NPS and indicates that our customers have noticed the improvements in our mobile and fixed networks, and are enjoying Optus' range of products and services," Mr Lew said.

Optus' performance for the half year ended 30 September 2016, was affected by moderating growth from heightened competition in the Australian mobile market. Including the impact of lower mobile termination rate, Optus' mobile service revenue is expected to decline by mid teens for the financial year ending 31 March 2017.

Financial Highlights

	Quarter		YoY Chge %	Half Year		YoY Chge %
	30 Sep			30 Sep		
	2016 A\$ m	2015 A\$ m		2016 A\$ m	2015 A\$ m	
Operating revenue	2,112	2,314	-8.7	4,112	4,609	-10.8
EBITDA	633	706	-10.3	1,278	1,346	-5.1
<i>EBITDA margin</i>	<i>30.0%</i>	<i>30.5%</i>		<i>31.1%</i>	<i>29.2%</i>	
EBIT	295	370	-20.3	608	678	-10.3
Underlying net profit	184	232	-20.5	378	429	-11.9
Net profit	184	230	-20.3	356	426	-16.4
Free cash flow	221	71	213.7	320	112	185.7

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