Full year 2021 results

ASX CEO Connect – 31 August 2021

Andrew Penn – Chief Executive Officer

Delivering on our strategy

2021 – a turning point in our financial trajectory

- 2H21 underlying EBITDA up on 1H21
- Guidance for FY22 underlying EBITDA of mid-to-high single digit growth[1]
- FY21 NPAT and EPS up 3.4% and 2% respectively

We have stayed disciplined and focused on delivering T22 strategy

- Radically simplified the business
- Productivity target on track
- Proposed legal restructure announced
- ~80% metrics completed or on track for delivery with a year to run

Next strategy update in September 2021

1. This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Refer to slide “FY22 guidance” set out in “Financial results for the full year ended 30 June 2021 – CEO/CFO Analyst Briefing Presentation and Materials” lodged with the ASX on 12 August 2021.

Financial headlines

FY21 Reported	FY21 Guidance basis[1]
Total income: $23.1 billion, -11.6%	**Underlying EBITDA[3]:** $6.7 billion, -9.7% 1H21 $3.3 billion, 2H21 to $3.4 billion **In-year nbn headwind[3]:** ~$650 million (LTD ~$3.2 billion) **Estimated COVID impact[4]:** ~$380 million (FY20 ~$200 million) **Underlying EBITDA decline ex in-year nbn headwind[3]:** ~$70 million
EBITDA: $7.6 billion, -14.2% **EBITDA lease adjusted[2]:** $7.4 billion, -11.5%	
NPAT: $1.9 billion, +3.4% **EPS:** 15.6 cents, +2.0% **Total dividend:** 16 cps[5] (consistent pcp)	**Capex[3]:** $3.0 billion, -6.6% **FCF[3]:** $3.8 billion, +11.6%

1. This guidance assumed no impairments in and to investments or non-current tangible and intangible assets, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excluded the impacts of Pitt St exchange sale and leaseback. The guidance was based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance. Refer to Full year results and operations review – guidance vs reported results reconciliation (set out in our ASX announcement titled "Financial results for the full year ended 30 June 2021" lodged with the ASX on 12 August 2021).
2. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.
3. Refer to definition in the Glossary.
4. COVID impact in FY21 includes estimates across international roaming declines, delayed cost out, customer support and deferred NAS professional services.
5. Total dividend of 16 cents per share fully franked comprising total ordinary dividend of 10 cents per share and total special dividend of 6 cents per share.

Operating highlights

Mobile strategy continuing to deliver growth

Mobile service net adds

- +101k retail postpaid handheld services including +67k branded +34k Belong
- +95k retail prepaid handheld unique users
- +240k wholesale MVNO including prepaid and postpaid services
- +892k retail IoT services

Fixed service net adds

- -69k retail fixed bundle and data services including +10k Belong
- +246k nbn connections with 45% estimated market share as at end of FY21 (ex-satellite)

Building value

- **Mobile:** +$3 TMMC mass market branded growth on pcp and $170m EBITDA growth on pcp
- **Fixed – C&SB:** Focus on higher speed tiers and add-ons
- **Fixed – Enterprise:** Positioning for return to growth with Adaptive Networks
- **Telstra Health:** FY21 revenue growth 6% and confident for high teens organic revenue growth in FY22
- **Telstra Ventures:** ~$300m increase investment value

Improved customer experience

- Episode NPS improved +9 last 12 months and +6 last six months
- Strategic NPS improved +7 last 12 months and +2 last six months

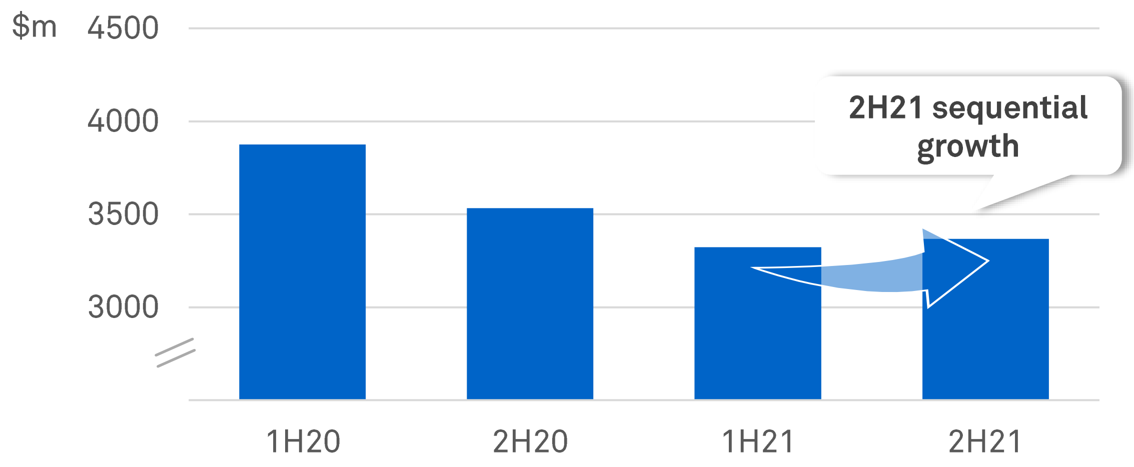
Continued cost reduction

- $490m or 8.1% underlying fixed cost reduction in FY21
- $1.8b or 10.2% decline in FY21 total operating expenses[1]
- $2.3b underlying fixed cost reduction since FY16. On track for $2.7b cost reduction with $430m target in FY22

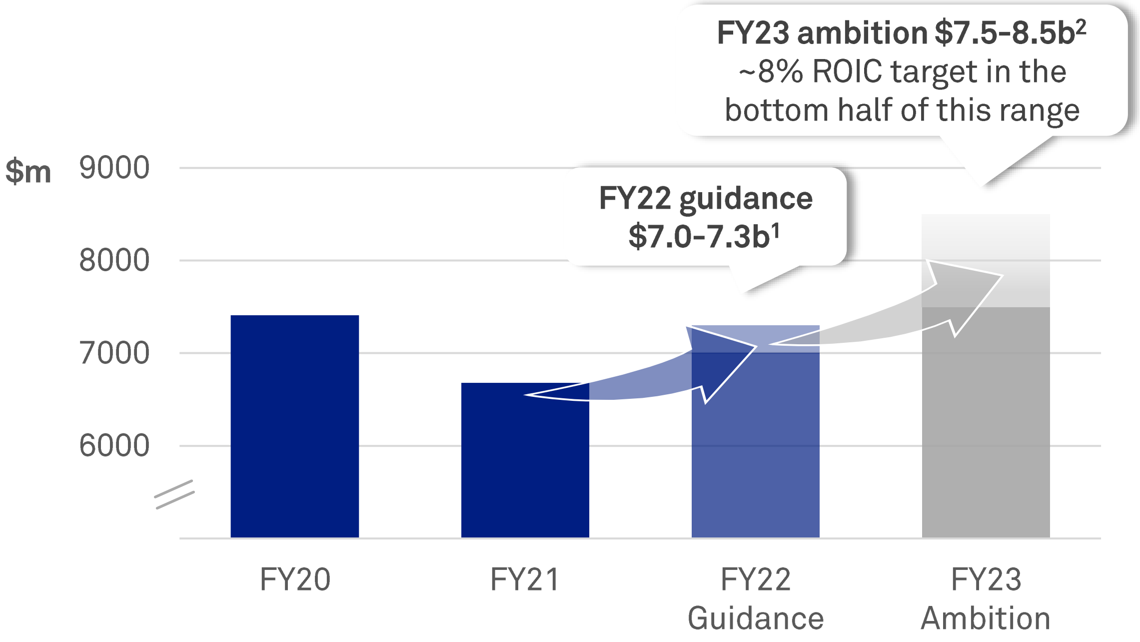
1.'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.

Underlying EBITDA growth

Underlying EBITDA – halves



Underlying EBITDA – full year



1. This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Refer to slide "FY22 guidance" set out in "Financial results for the full year ended 30 June 2021 – CEO/CFO Analyst Briefing Presentation and Materials" lodged with the ASX on 12 August 2021.
2. While we do not provide financial guidance beyond FY22, our Board and management team understands the importance of achieving EBITDA in this range and the actions required to deliver it. Telstra's ambition for its Underlying EBITDA in FY23 is not guidance and there are greater risks and uncertainties in connection with this ambition.

FY22 priorities – finish the job

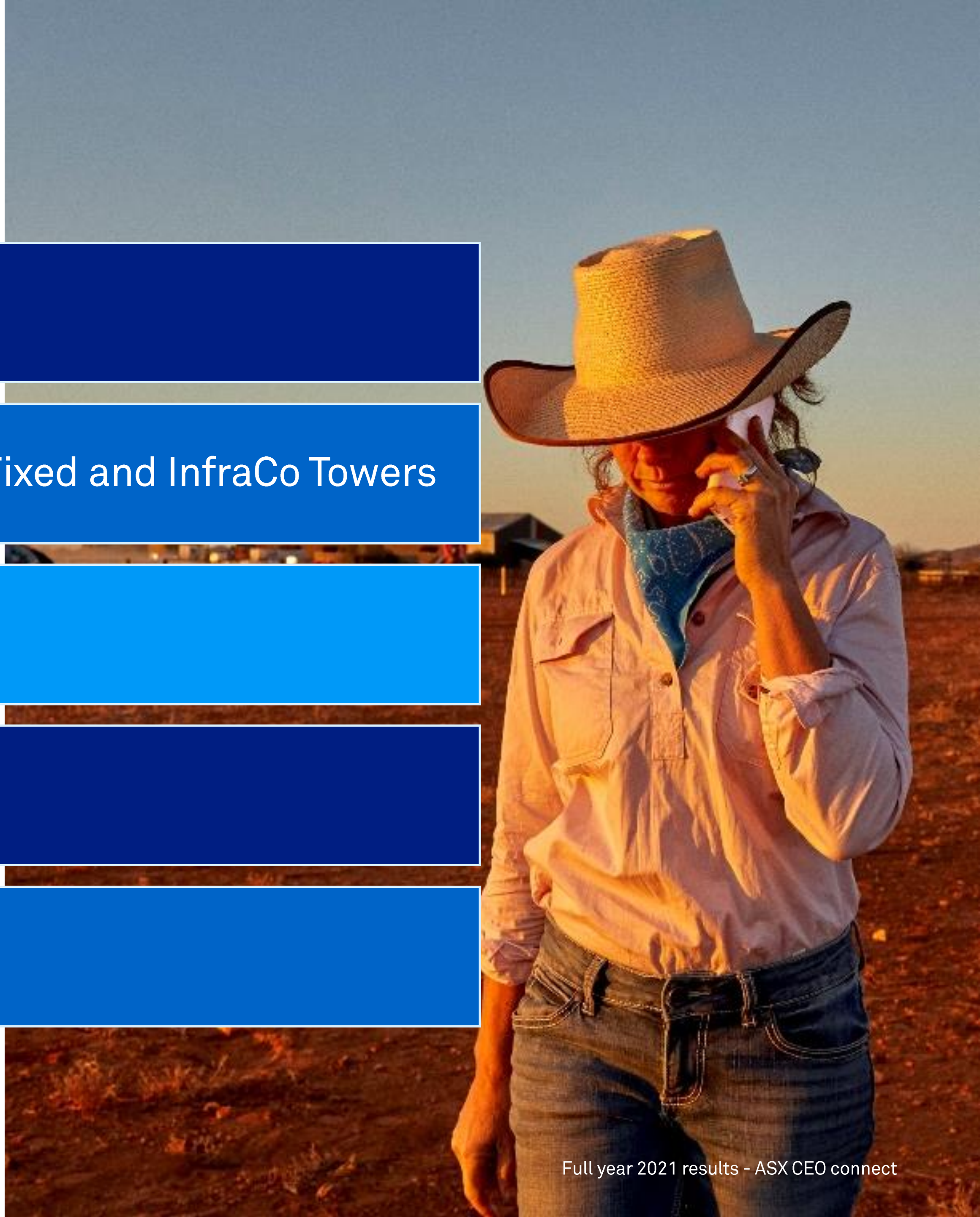
Improve customer experience and complete digitisation

Complete group restructure and drive value from InfraCo Fixed and InfraCo Towers

Extend our leadership in 5G

Grow core services and new businesses

Deliver on our financial commitments



Q&A

Full details of Telstra's financial results and all materials lodged with the ASX can be found on Telstra's Investor Centre – www.telstra.com.au/aboutus/investor

Glossary

Term	Definition (unless separately defined in the slide footnotes)
Capex	Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases
Free cash flow after operating lease payments (FCF)	‘operating cash flows’ less ‘investing cash flows’ less ‘payments for operating lease liabilities’, and excludes spectrum and guidance adjustments
Free cash flow after lease payments (FCFal)	‘operating cash flows’ less ‘investing cash flows’ less ‘payments for lease liabilities’, and excludes spectrum and guidance adjustments
Guidance adjustments	Guidance adjustments include impairments in and to investments or non-current tangible and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. Refer to Full year results and operations review – guidance vs reported results reconciliation which details the adjustments made for the current and comparative period to reflect performance on the basis on which we provided guidance to the market for FY21 (set out in our ASX announcement titled “Financial results for the full year ended 30 June 2021” lodged with the ASX on 12 Aug 2021)
In-year nbn headwind or **nbn headwind**	The net negative recurring EBITDA impact of the nbn on our business for the reporting period. See ‘nbn impact on EBITDA’ slide for details of the in-year nbn headwind
Net one-off nbn DA less net C2C	Adjustments for net one-off nbn receipts which is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect
Reported lease adjusted	‘Reported lease adjusted’ includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. FY21 adjusted to include $194m (FY20 $494m) of reported depreciation of mobile handsets right-of-use assets in EBITDA. No adjustment expected in FY22.
ROE	Calculated as profit after tax attributable to equity holders of Telstra as a percentage of equity
ROIC	Calculated as Net operating profit after tax (NOPAT) as a percentage of total capital
Total Income	Total income excluding finance income
Underlying earnings	NPAT from continuing operations excluding net one-off nbn receipts, one-off restructuring costs and guidance adjustments. Guidance adjustments include impairments in and to investments or non-current tangible and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. See ‘Underlying earnings’ slide for details of underlying earnings
Underlying EBITDA	EBITDA excluding net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments but includes depreciation of mobile lease right-of-use assets
Underlying ROIC	Calculated as NOPAT excluding net one-off nbn receipts, one-off restructuring costs and guidance adjustments less tax as a percentage of total capital. Guidance adjustments include impairments in and to investments or non-current tangible and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum

Disclaimer

These presentations include certain forward-looking statements. The forward-looking statements are based on certain assumptions and information known by Telstra as at the date of these presentations.

The forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause Telstra's actual results, performance and achievements to differ materially from those expressed in, or implied by, the forward-looking statements including general economic conditions in Australia; exchange rates; competition in the markets in which Telstra will operate; the inherent regulatory risks in the businesses of Telstra; the substantial technological changes taking place in the telecommunications industry; the ongoing impacts of the COVID-19 pandemic; and the continuing growth in the data, internet, mobile and other telecommunications markets where Telstra will operate. A number of these risks, uncertainties and other factors are described in the "Chairman & CEO Message", "Our material risks" and "Outlook" sections of our Operating and Financial Review (OFR). The OFR is set out in Telstra's financial results for the year ended 30 June 2021 which were lodged with the ASX on 12 August 2021 and are available on Telstra's Investor Centre website www.telstra.com.au/aboutus/investor.

In addition, there are particular risks and uncertainties in connection with the implementation of the Telstra2022 strategy (T22), including the response of customers to changes in products; the risks of disruption from changes to the organisation structure; that detailed business plans have not been developed for the entirety of the strategy and the full scope and cost of T22 may vary as plans are developed and third parties engaged; Telstra's ability to execute and manage T22 in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed); and Telstra's ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the plan.

Telstra does not provide financial guidance beyond the current financial year. Telstra’s ambition for its Underlying EBITDA in FY23 is not guidance and there are greater risks and uncertainties in connection with this ambition. The indicators provided in this presentation, including across Mobile, Fixed – CS&B, Fixed - Enterprise, Fixed - Wholesale, Other and Productivity, are not guidance and is provided to illustrate some of the outcomes which management is currently focused on delivering as part of this ambition across the short to medium term. Each item and action subject to a range of assumptions and contingencies, including the actions of third parties. As with the implementation of T22, associated detailed business plans have not be developed in their entirety and the full scope and cost may vary as plans are developed and third parties engaged. Telstra's ability to realise these ambitions will also depend on Telstra's ability to execute in accordance with the associated business plans (once developed).

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In terms of the information provided in these presentations relating to the proposed restructure of the Telstra Group, any restructure is a complex process and we will need to navigate a range of existing commercial, regulatory, operational and other requirements. There may be delays in implementing some parts of the program, or they may not be implemented.

The assumptions underlying and the basis upon which we have provided our FY22 earnings guidance is set out on slide "FY22 guidance“ set out in “Financial results for the full year ended 30 June 2021 – CEO/CFO Analyst Briefing Presentation and Materials” lodged with the ASX on 12 August 2021. Defined terms are set out on the slide "Glossary".

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