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HD **Telcos Dividends to rise on back of bumper profit**

BY Max Mason
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Telcos Dividends to rise on back of bumper profit

Telstra to reward investors

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Max Mason

Telstra has increased its dividend for the first time since 2005 after the company delivered a strong half-year profit of $1.7billion and forecast continued profit growth. The telco will increase its interim dividend by half a cent to 14.5ï¿½, the first rise since chief executive David Thodey took over from Sol Trujillo in 2009. The dividend will be fully franked and paid on March 28. Mr Thodey left the door open to further dividend increases but said the decision was one for the Telstra board. Telstra's result for the first half of the financial year was 9.2 per cent higher than the $1.5 billion it reported in the first half of last year. Unveiling the bumper profit on Thursday, company executives again promised that Telstra's earnings growth would be in the low single digits for the full year. Telstra shares finished the day up 0.8 per cent at $5.15. As mobile phones continue to take over from fixed-line services, Telstra is looking to Asia to expand. However, Mr Thodey said that while it had previously looked into buying an Asian mobile operator, it was unlikely to do so because prices were too high. Rather, it would look to form partnerships, where it could offer its expertise in building networks. Much of Thursday's result was underpinned by strong growth from mobile services. Telstra added 739,000 domestic retail mobile customer services during the first half, taking its total to 15.8million. Fixed-line revenues continued

to decline, with Telstra losing 117,000 customers during the half, but the fall was one of the smallest in recent years. By comparison, Optus, which also announced its results on Thursday, lost 134,000 mobile customers in the past 12months, taking its total to 9.4 million. "I remain an eternal optimist about the mobile market," Mr Thodey said. "Demand for our products and services remains at all-time highs. We will continue to have the normal skirmishes we have in the market - and long may competition be rich and vibrant." The company is currently locked in a legal battle with Optus over advertisements Telstra says mislead consumers by claiming there

is little difference between the competing mobile networks. BBY telecommunications analyst Mark McDonnell said Telstra was able to charge a premium for its mobile service after investing heavily in upgrading the network. "They have reduced the relative premium they charge from circa 40 per cent to circa 20 per cent compared to their competitors. The market gets that, and customers are prepared to pay that." Telstra's network applications services (NAS) and international business delivered extremely strong performances, with revenue rising 29.3 per cent and 28.3 per cent respectively. After several years of solid growth, Telstra's NAS and international businesses

make up a significant proportion of its earnings, now worth a combined 15 per cent of all revenues. "I think [NAS and international] will be even more meaningful contributors going forward, partly because of their own growth, but also partly because the reshaping of the business, with exiting [directories business] Sensis and exiting [Hong Kong mobile business] CSL," Mr McDonnell said. Mr Thodey said renegotiations of its $11.2billion NBN contracts had begun, but he did not give any indication as to when any new deals would be complete. The Coalition's fibre-to-the- node roll-out would require rental or purchase of Telstra's existing copper network.

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