

17 July 2019

TalkTalk Telecom Group PLC
Trading update for the 3 months to 30 June 2019 (Q1 FY20)
Q1 in-line with expectations; Full year guidance remains unchanged

- Total Headline ¹ revenue (ex-Carrier and Off-net) up 1.3% to £387m (Q1 FY19: £382m); Headline On-net revenue up 2.6% to £317m (Q1 FY19: £309m)
- Year-on-year On-net ARPU growth to £24.72 (Q1 FY19: £24.65), with continued growth in Consumer ARPU
- Strong Fibre net adds of 118k (Q1 FY19: 67k); 70% of new Consumer customers took Fibre across Q1 (Q1 FY19: 44%), with a peak of 75% in June
- Cost savings (including HQ move to Salford) on track
- Full year outlook remains unchanged, with strong EBITDA growth driven by Fibre penetration and cost savings

Tristia Harrison, Chief Executive of TalkTalk, commented:

“Q1 is in line with our plan. Revenue and Consumer ARPU rose year on year, underpinned by very strong demand for faster, more reliable Fibre products. Up to 75% of new Consumer customers are now taking Fibre and we’re seeing more customers than ever choose the faster of our Fibre products. In addition, our ongoing simplification and cost reductions continue to drive improvement in profitability, and we remain on track to deliver EBITDA in line with expectations for the year.”

Q1 in-line with expectations

Total Headline ¹ revenues of £387m excluding Carrier (£8m) and Off-net (£3m) grew by 1.3% year-on-year during the quarter. On-net revenue of £317m (comprising Consumer, Wholesale and Direct B2B broadband) was up 2.6% year-on-year, driven by a larger average base and higher ARPU (£24.72 in Q1 FY20 vs £24.65 in Q1 FY19) predominantly due to increased Fibre penetration. Within Corporate, Data revenue of £47m was up 9.3% and Voice was down 23.3% to £23m.

We have continued to see strong demand for Fibre with 118k net adds in the quarter (Q1 FY19: 67k). These customers have significantly higher customer lifetime value – with higher ARPU and materially lower churn and cost to serve. Over 50% of our Consumer customers now take a Fibre product, and encouragingly 39% of Consumer Fibre net adds in Q1 took the faster, higher ARPU 80mbps product (up from 31% in Q4 FY19).

Churn remains low at 1.29% for the quarter (Q1 FY19: 1.28%).

Cost savings are on track with lower wholesale costs due to commercial discounts, ongoing cost to serve reductions as we transition to a self-service model and significant cost savings from the move of our HQ to Salford (£25m-£30m annualised, with £16m-£20m in FY20).

We also continue to make good progress on finding an infrastructure investment partner for FibreNation and our Fibre to the Premise (FTTP) rollout in Yorkshire has strong momentum.

Outlook

Our FY20 guidance of strong EBITDA growth remains unchanged, underpinned by accelerated Fibre penetration and our cost reduction plans.

¹ Headline revenue excludes revenue from MVNO proposition during the current and prior period.

There will be a conference call for analysts and investors at 8.00 a.m.

Webcast link:

<https://webcast.merchantcantoscdn.com/webcaster/dyn/4000/7464/114147/114804/Lobby/default.htm>

Conference call dials: Participants do not need a PIN for the live call – they simply need to ask to be put through to the TalkTalk results call.

Live Call:	UK	+44 (0) 808 109 0700
	US / International	+44 (0) 866 966 5335 / +44 (0) 20 3003 2666
Replay (available for 7 days):	UK & International	+44 (0) 20 8196 1998 + PIN: 6037798#

Contacts:

Investor Relations:	Tim Warrington	+44 (0) 20 3417 1821
Media:	Iain Wood	+44 (0) 79 9078 5019

The person responsible for arranging the release of this Announcement on behalf of the Company is Tim Morris, Group General Counsel and Company Secretary.