

EMBARGOED UNTIL 7.00 AM ON 17th JULY 2018

17 July 2018

TalkTalk Telecom Group PLC

Trading update for the 3 months to 30 June 2018 (Q1 FY19)

Continued growth in broadband base and Headline revenue; full year guidance reiterated

- **Strong broadband customer base growth; +80k net adds, taking the closing base to 4,219k¹**
- **Total Headline² revenue (ex Carrier & Off-net) +4.1%³ (Q1 FY18: -1.8%)**
- **2.1m customers now on Fixed Low Price Plans (FLPP)**
- **Ongoing low level of churn at 1.28%**
- **Net ARPU increase of 2-3% on FLPP customers coming out of contract**
- **Continued good growth in B2B including data connections of +1.9k**
- **FY guidance remains unchanged with 15% year-on-year Headline EBITDA growth, driven by larger customer base, stabilising ARPU and significant cost reductions**

Tristia Harrison, Chief Executive of TalkTalk, commented:

"We are pleased to have delivered strong customer and Headline revenue growth in the first quarter and we remain firmly on track to deliver at least 150,000 net adds this financial year.

After resetting the business last year, we are now a much simpler, lower-cost business. As our strategy to be the UK's leading value provider of fixed connectivity continues to deliver, we are on course to report Headline revenue growth, stable ARPU and a 15% year-on-year increase in Headline EBITDA. Alongside the core business we continue to make good progress on our plans for full fibre (FTTP)."

Q1 in-line with expectations

We continued to see strong growth in the first quarter, adding a further 80k to the broadband base (Q1 FY18: 20k, Q4 FY18: 109k). We saw excellent growth in Wholesale, offsetting a modest decline in Retail. We remain fully on track to deliver growth in both Retail and Wholesale bases for FY19, having made an encouraging start to trading in July.

In Consumer we have again seen good demand for our FLPP, with the base growing to 2.1m in the quarter (Q1 FY18: 1.3m, Q4 FY18: 2.0m), in spite of a large number of customers coming to the end of their contract. Churn remains low at 1.28% for the quarter (FY18 average: 1.22%).

We have continued to see solid demand for fibre with 67k net adds in the quarter (Q1 FY18: 72k), with 44% of new acquisition customers choosing to take our higher speed products. These customers are accretive to customer lifetime value with materially lower churn and cost to serve.

Once again, we saw strong growth in the TalkTalk Business Ethernet & EFM base, with 1.9k new lines added (Q1 FY18: 1.6k), taking the total installed base of data connections to 53k.

Total Headline² revenues of £382m³ excluding Carrier (£15m) and Off-net (£3m) grew by 4.1% year-on-year during the quarter. On-net revenue of £309m³ (comprising Consumer, Wholesale and Direct B2B broadband) was up 3.7% year-on-year, driven by a larger average base, offset by moderate ARPU decline (Q1 FY19 ARPU: £24.65³ vs Q1 FY18 ARPU: £25.10³) from FLPP re-contracting and the mix of Wholesale and Retail net adds. These effects are expected to stabilise in line with guidance by the end of the full year, as the initial dilutionary impact of FLPP re-contracting is offset by secondary re-contracting behaviour, where we have seen a 2-3% increase in ARPU from customers who have recently come to the end of their first FLPP. Given the continued take-up of Fibre and the upselling of both TV and call boosts, we expect to see ARPU stabilise in H2 as planned.

¹ All customer KPIs relate to the On-net base. The closing Off-net base amounted to 39k at the end of Q1 FY19 (Q1 FY18: 57k), representing less than 1% of the total broadband base.

² Headline revenue excludes revenue from MVNO proposition during the period.

³ The current period has been presented applying IFRS 15 "Revenue from Contracts with Customers". Comparative information has been provided on a pro-forma basis to enable like-for-like analysis which has resulted in a reduction in On-net revenue of £9m (the current year impact is a reduction of £5m). The Group is still finalising the impact of the standard and its opening adjustment to retained earnings. Information in the trading statement are unaudited and the adjustments recognised are subject to audit.

We continue to make good progress towards our total commitment of 54,000 homes passed in our full fibre build out. Penetration of the initial 14,000 homes in York is now over 35%, of which the majority are TalkTalk customers and we are continuing to see outstanding customer advocacy scores.

Outlook

Continued momentum in the first quarter of the financial year means our FY19 guidance remains unchanged, with growth in both the Retail and Wholesale broadband customer bases and Headline revenue growth year-on-year. This, combined with our ongoing cost reduction programme and WLA savings, will see Headline EBITDA growth of 15% and improving free cash flow.

H1 results will be released on 21st November 2018.

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

There will be a conference call for analysts and investors at 9.00 a.m.

Webcast link:

<https://webcast.merchantcantoscdn.com/webcaster/dyn/4000/7464/16532/104942/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 & International	+44 (0) 20 3003 2666
Replay (available for 7 days):	UK & International	+44 (0) 20 8196 1998
	PIN Code:	6717503#

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