15 November 2023

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Telstra Investor Day 2023 - Transcript

In accordance with the Listing Rules, attached for release to the market by Telstra Group Limited, is the transcript from Telstra's Investor Day 2023. The transcript is also provided for the information of Telstra Corporation Limited noteholders.

Release of announcement authorised by:

Sue Laver
Company Secretary

Presentation by Vicki Brady

Vicki Brady: Good morning, and welcome to those of you joining us here in the room today, and for those of you joining us online. I'm joining today from the lands of the Gadigal people. And on behalf of Telstra, I acknowledge and pay my respects to traditional custodians of country throughout Australia, and recognise the continued connection Australia's First Nation peoples have to land, water and culture. We pay our respects to Elders past and present.

Standing here today, it is almost unbelievable that we're almost at the halfway point of our T25 strategy. At our FY23 results in August, I spoke about the good momentum inside our business, and the confidence we have that we can continue to grow. So today, rather than doing a broad update, touching on all of the key parts of our business, we're going to dive a bit deeper into a few areas.

Now out of today, there are five things we would like you to take away. First off, overall, our T25 strategy is on track. And we remain very focused on delivering our ambitions, including growing our underlying EBITDA, and earnings per share.

Two: we are uniquely placed to continue our strong track record of network leadership and differentiation. Three: we are well positioned to capture demand in digital infrastructure. And we have a strong pipeline of growth opportunities ahead.

Four: we have a very strong balance sheet, which is enabling us to continue to invest and capture growth. And finally, we know underpinning all of this, investing in our customer experience is absolutely fundamental, so that we're providing the best experience. And we know that matters the most in terms of unlocking future growth and value in our business.

Now today, you're going to hear from a few of the team. Channa is going to talk a bit more about our mobile network leadership. And it is so critical, because it underpins the premium experience that we deliver to our customers, and it also helps enable the digital economy here in the country.

In August, we shared our decision that we were going to maintain the current ownership structure of InfraCo Fixed. And so today, you're going to hear a whole lot more from Brendon. He's going to dive into a bit more detail into our digital infrastructure business, and some of the opportunities that we see ahead to grow that business further.

You'll also hear from Michael. He's going to talk about our financial strategy, and how we continue to execute against that, and continue to run our business with discipline.

At our full year results, I spoke a little bit about how the parts of our business were performing. In particular, there's some parts performing strongly, mobile and infrastructure. I also talked about some parts of the business where we're facing some challenges; Enterprise performance, and of course, the external environment and its impact on cost reductions. So those challenges remain, and they continue to be a core focus for us.

In our Enterprise business, the headwinds we're seeing in data and connectivity, and calling are broadly in line with what we expected. However, we now do not expect network applications and services, revenue and EBITDA, to grow in FY24. Michael is going to speak in a bit more detail about those challenges a little bit later this morning.

We are reconfirming guidance today. And in addition to reconfirming guidance for the year, we remain very optimistic about the long term structural demand that we see, which is underpinning our business. And that supports our ability to deliver sustainable growth in the long term.

So with that in mind, I had two things I wanted to cover off this morning. Firstly, what are some of those trends we're seeing here and globally, and how they inform our core beliefs about the future. And then secondly, how these translate into what we're really focused on over these next 18 months, to finish the job on T25 and to set us up for growth beyond that.

So as we look at the world around us, technology trends are moving faster than ever. And as we look at those trends, they make us more confident that our T25 strategy is absolutely the right strategy, and the choices we're making today will set us up for beyond 2025.

There are five core beliefs that really inform our strategy, and that are really backed up by global mega trends. And I want to take just a little bit of time to talk about those five core beliefs.

The first one is that connectivity will continue to play a vital role in the digital economy, and, if anything, is only continuing to grow in importance. Now we see this in a few ways. Firstly, unabating demand for data. As I spoke about in August, we're seeing on our mobile network data growth of around 30% per annum. It doesn't stop there. If I look across APAC on our undersea cable network, we're seeing data demand on an annual basis growing between 30 and 40%. And then if you look locally, at the level of investment in data centres here in the country, that then translates into increased demand for connectivity as well.

I also observe, when you look at Australia today, we're sitting at a 60 year low in terms of productivity here in the country. And we believe digital technologies can play a big part in turning that around. In fact, there are some estimates out there today, that estimate by 2028, they could contribute $315 billion to the Australian economy.

Now underpinning all of that is the need to be connected. And that's why investment in our mobile network, investment in our fibre assets, investment in our subsea cable network, is absolutely critical.

The second key trend; anywhere you go at the moment you read media, there's a lot about LEO satellite. And we absolutely believe LEO satellite capability and capacity is going to continue to grow. And we see it as a fundamental technology that can complement our mobile network and experience. We do also believe that terrestrial mobile networks will be the primary method of connecting on the go.

Again, when we look at some of the forecasts and expectations, global data growth on satellites is forecast to grow at a CAGR of 28%, 2020 through to 2030. But just like we've not seen mobile networks replace fibre networks, we also do not believe that satellite networks will replace mobile networks. And that's because our mobile network has about 1,000 times the capacity in a nominal area, compared to a LEO satellite.

So it's going to be critical. We continue to invest in our mobile network, whilst partnering and moving fast in terms of how we leverage these new satellite technologies, to bring even better services to our customers in Australia, particularly those in remote and regional Australia.

The third core belief is around digitisation and AI. And we can still see there is a huge wave of innovation ahead across industries here in Australia. Our Enterprise business is very much focused on how to help support and enable our customers with that. Again, global forecasts are saying that this next wave of digital innovation is expected to generate $10 to $15 trillion globally. We're already working with some of the largest organisations here in the country to help them digitise their businesses, from sectors like mining and logistics, to infrastructure and agriculture.

The fourth area is trust and sovereign capabilities are more important than ever, particularly in a world with such heightened geopolitical tensions. How are we seeing this play out? In our International business, we're seeing a real demand for different and new subsea routes. Here onshore, we're absolutely seeing a focus where organisations are looking at onshore infrastructure that can host their data and AI, so that they've got that security and business continuity.

Our scale, our infrastructure, and our trusted partnerships, provide really unique opportunities for us. And you're going to hear a whole lot more about that from Brendon, a little bit later.

Our final core belief is all about security, which continues to increase [in] importance. It is extraordinary that today, cybercrime is now the third largest economy, behind the United States and China. It is rapidly evolving. And that threat landscape just continues to reach new levels. It absolutely requires a coordinated response across industry, and with Government. So for us, it's both a risk and also an opportunity, given our leadership in cyber, and the ever evolving threat landscape.

So if you step back and you look at those five core beliefs and trends, Telstra is absolutely uniquely placed to deliver for our customers. Why do I say that? We've got a long history of leadership. We're very much trusted on security. And we have the strength of our infrastructure assets.

So that's all front of mind, as we're thinking about the next 18 months and continuing to deliver on T25, and also setting us up for growth in that much more digitised future. So given today we've got a big focus on infrastructure and networks, I'm going to touch on our T25 pillars, but I'm going to start with those. So let me go to growth and value first.

InfraCo Fixed, as I said, we've made the decision to retain the current ownership structure of InfraCo Fixed. And as I just spoke about, we see very strong structural demand for digital infrastructure. In fact, here in Australia, we are the biggest investor in digital infrastructure. Over the last five years, if you look at our total CapEx investment, it's a little over $17 billion, and we're very much committed to continuing to invest. This includes around $1.6 billion to build the intercity fibre network, and the ground infrastructure to support ViaSat. In August 2022, we announced the first five routes of our Intercity Fibre project, and construction is well underway, with more than 400 kilometres of fibre now in the ground.

Today, we're announcing an additional five routes that will begin construction in 2025, plus an additional investment in the Pilbara region of WA. Having been there with Brendon just a few months ago, it is evident the economic opportunity in the Pilbara, and our ability to help enable that. Brendon, again, will go into quite a bit more detail shortly.

So on our Intercity Fibre project, that takes us to a total of 10 routes, and almost 14,000 kilometres of fibre, that will be delivered across FY23 to FY27. This is foundational infrastructure. It is foundational infrastructure for the country, and it will help deliver demand across the coming decades.

Outside of Australia, we also actually operate APAC's largest undersea cable network. And we're responsible for about a third of intra-Asia traffic, and about a quarter of Trans-Pacific traffic. You might recall in our CapEx guidance for this year, we allocated an additional $100 million of CapEx to go into our undersea cable business. Where's that going? That's going into intra-Asia and US-Asia capacity, but also a new route from Singapore, Philippines, through to the US, that we expect to be available from Q3.

Over and above, of course, all of the investment, when it comes to delivering growth and value, we're very much focused on keeping our business as simple and as efficient as possible, so we can maximise that value.

Let me now shift to network leadership. On our mobile network alone, over the last seven years, we've invested $11 billion. $4 billion of that has gone into regional areas. That results in us having the largest and most reliable mobile network here in the country. We also continue to track well against our T25 ambitions from a network point of view. And Channa is going to take you through those in a bit more detail shortly.

I spoke a lot about satellites, and a lot going on in the satellite space. We've moved fast, and we have already three deals in place with satellite operators; with Starlink, OneWeb and ViaSat. And that's all about bringing even better options and services to regional and remote customers. We will have a world first when we launch our consumer broadband and voice service over Starlink. We're currently trialling this with customers, and are anticipating we will launch that in March next year.

We're also going to resell Starlink's Enterprise and Business product, both here and overseas. And the teams have been busy trialling that over the last few months. And I'm very pleased to say that the product is available for sale.

If I turn now to customer experience. As I said, it is foundational to unlocking the opportunities ahead of us. All of those investments I spoke about, from infrastructure to networks, they're absolutely fundamental to delivering and enabling that premium and differentiated experience on our network. And we know our customers value that highly.

On top of that, we're investing in other places. We're investing in security capabilities to keep our customers safe. A couple of examples; our cleaner pipes initiative, where we are blocking more email, SMS and calls than ever before. Our collaboration with CBA, with the Quantium-Telstra venture, where we're using AI to detect phone scams in real time.

We're also investing to help businesses really be able to capture the opportunities of the digital economy. If I look at Enterprise, David and the team are transforming the way that they support industries, focusing on industry verticals, helping those industries to digitise. A good example of that is our proposed acquisition of Versent. It's all about helping Telstra Purple accelerate its ambition of building a market leading cloud practice.

Now Versent has a customer base that's made up of strong blue chip customers. They're highly complementary to Telstra Enterprise and Telstra Purple, because for most, we're providing the connectivity today, and Versent is providing the digital transformation capabilities.

We're also investing in Telstra Business, because we see a huge opportunity when it comes to small and medium businesses in the country. We think they need access to the same transformative benefits of technology that larger businesses have access to.

We also continue to invest in digitisation, because we know we need to make it even simpler for our customers to deal with us. In the next 18 months, we need to finish the job on digitisation. Where we stand today, we have all of our prepaid customers now migrated into our new digital environment. And we can see the benefits for customers. If I look at just the recharge experience alone, we see episode NPS up 20 points over the last year.

In Consumer and Small Business more broadly, we now have more than 90% of our sales in our new environment. And we continue to see complaints at record lows, and episode NPS at record highs. Our focus is absolutely on completing the job on migration of our customers. In fact, in the second half of this financial year, we will deliver capability that will give our customers choice of payment methods, which will be a key unlock in completing that migration.

Finally, I do want to touch on the Place You Want to Work pillar. I'm not going to go into a lot of detail today, given our focus today is more on the network and infrastructure side. But again, it is absolutely fundamental to us being able to achieve our ambitions and to deliver for our customers. We will remain on track across all of the elements under this pillar of our strategy, including driving digital leadership across the organisation. We also continue to focus on having strongly engaged teams. And then, of course, operating in a sustainable and responsible way, which is a core part of our T25 strategy.

So let me wrap up there. Overall, our strategy is on track. We're very much focused on delivering the second half of T25. And the global trends I spoke to, they make us more confident than ever that T25 is the right strategy. And the decisions we're making today will set us up strongly to be able to grow in the future. So on that note, let me handover to Channa.

Presentation by Channa Seneviratne

Channa Seneviratne: Thanks, Vicki. And good morning, everyone. Very pleased to be here with you today. So a question on many minds is, why is Telstra's mobile network better and different to our competitors? And importantly, what's in our future that will maintain that differentiation? So to answer that question, I'm going to focus on three things today.

Firstly, explain why we are the network leader. Our commitment to maintaining that world leading customer experience, and underpinned by best in class, network resilience and security. Secondly, I just want to emphasise that we will continue to pioneer and innovate and push the technology envelope. Our capability is at a global leadership level, and has been for over 15 years. And during that time, we've delivered 52 world firsts, with 19 of them just in the last five years on 5G. And then thirdly, our drive to define the next horizon of secure and reliable customer experience, and how we will deliver these to our customers.

So without doubt, we have built Australia's best, largest and most reliable [mobile] network. We've invested $11 billion over seven years, just to build that network. And it provides 2.7 million square kilometres of coverage, which is around one million square kilometres in excess of our nearest competitor. And we expect to maintain this terrestrial coverage leadership. We have the largest 5G network in over 450 major towns and cities, and it covers 85% of the population today.

And on the back of our 4G network, we also built one of the largest terrestrial internet of thing networks, at over 4.4 million square kilometres, which obviously exceeds our handset coverage. And all of this is underpinned by a high capacity, high speed, fibre cable backbone, which stretches over 270,000 kilometres. And resilience and security is at the heart of this network.

We have advanced threat detection and remediation, which protects the network. And our cleaner pipes and security products protect our customers. And I'm very pleased to say that our technology leadership has been validated, with the announcement in the last couple of days that Umlaut, a global company that independently tests networks, has validated our technology leadership, and announced us as the 2023 Best in Test Network, across all the major categories, from voice, data, quality, and most importantly, reliability.

And this is our fifth consecutive win. And it's been done over significant multibillion dollar investments year-on-year, and with a deep commitment by our engineering and field teams, to deliver this world class quality that sets us apart in the domestic market.

So we are delivering the best experience today. And this in turn is stimulating significant demand, which is growing year-on-year on the mobile network. And as Vicki said, that's at 30% per annum for data.

And what's driving that is high resolution video, video streaming, video conferencing, and also we're seeing video monitoring for operational and security purposes. And the other thing is that with the increasing use of video conferencing and video calling, what we see is that they've got symmetric traffic flows. So what we're seeing is a greater demand for capacity and speed in the uplink direction on the network. So we are catering for that as well.

So more aspects of everyday and business life are now being conducted via smartphones or tablets, compared to over residential or office-based PCs. So this in turn, and this growth, is driving our investment to maintain that best experience and our leadership in the market.

And I know sometimes when you look at some of these figures, data figures, it's hard to wrap your mind around what is 8.4 petabytes of data downloaded in a day in our network? Well, just to put a real world context around that; if you were to sit and watch a high definition video stream, it would take you 320 years to go through all of that data. So that's how much data is coming across our network every day.

Okay, so to cement our mobile network leadership, we will continue to expand our mobile network coverage. As we head towards shutting down our legacy 3G network at the end of June 2024. we will be providing the same or better coverage via 4G, where we only had 3G before. And importantly, 4G will deliver higher data speeds, and a better voice quality to those customers who are only experiencing 3G today.

And this expansion of our 4G network will further expand our IoT network to almost five million square kilometres of coverage. So we will continue to grow our 5G network, increasing the capacity to maintain that customer experience in the face of this ever-increasing demand. And so we will extend the coverage footprint from 85% to 95%, by the end of FY25. And at the outset of T25, we said that we would provide 100,000 square kilometres of new mobile coverage by the end of FY25. I'm pleased to say that we're actually really well progressed on that. And at the end of FY23, we've actually delivered 80,000 square kilometres of that 100,000 square kilometres.

But coverage alone is not enough. We are innovating with new technology, to increase the efficiency to further drive our leadership. As I said, we're shutting down 3G, and we're going to repurpose that low band spectrum to 5G, which provides a superior experience. So in regional Australia, that low band spectrum drives coverage further out. And in cities, the low band spectrum penetrates into buildings better.

And by the way, 5G, as we, as more 5G comes on, it has a lower energy footprint, better efficiency. And we are also leveraging advances in the capacity of next generation IP and optical transport. And we're working across all our ecosystem. So it's important not to just work on the network side. We're working with our handset providers to make sure that we have the handset capability to take advantage of that new technology.

And importantly, with these new technologies, we are able to more efficiently carry more traffic in the same spectrum bandwidth. So that means that we are driving down the unit cost to deliver a kilobyte of data in that same spectrum.

And of course, we are using more advanced automation and AI to enable our key processes, so that with processes like capacity planning and network deployment, again, that's an important part of increasing our efficiency.

Vicki touched on LEO satellites. So look, there's rightly a great deal of excitement about LEO satellite technology. Because it does unlock new users, and experiences for our customers. But we firmly believe that LEO will complement our terrestrial network. And we are actively advancing and exploring several LEO satellite solutions.

So first, is our partnership with OneWeb for LEO enabled backhaul to remote mobile sites. Now the advantages of LEO and GEO for mobile backhaul, makes possible improved customer experiences, but also a more economic expansion of mobile coverage into remote areas. There's also the potential for that OneWeb solution for backhaul, to be used as a backup solution to improve the reliability in areas where our terrestrial backhaul is susceptible to natural disasters, and communities go into isolation.

Then, of course, there's our world first agreement to resell Starlink. And that combined with voice. So this provides a cost effective, USO compliant solution, with performance and customer experience that's going to be better than ADSL. And we intend to use our Smart Modem 3 to provide the voice component of that service.

And so customers who take up a Telstra plan powered by Starlink, will be able to bring their home phone number, if they wish. And we expect to launch in March, and our stores and call centres will be able to help customers to understand what their connectivity options are.

And so let's talk about direct to handset services. So as I said, this will complement our terrestrial mobile network. This technology will initially support text, and in the longer term, voice and low speed data to smartphones across Australia, albeit outdoors, and with a clear skyline. So in our view, direct to handset will be a remote safety net for basic connectivity.

And just as mobile networks didn't replace fibre networks, it's important to realise the difference between the carrying capacity of satellite versus mobile. And there's an important metric that we use, slightly technical, but it's called bandwidth density. And the bandwidth density of our terrestrial mobile network is one million kilobits per second per square kilometre. Now that compared to LEO satellites, is 100 to 1,000 kilobits per second. So our terrestrial mobile network has 1,000 times more traffic capacity than the same nominal coverage of a LEO satellite in a given location. So that's a stark difference.

But of course with direct to handset, we will be pioneering a service ourselves in 2024. And we plan to offer it to our customers as a trial service.

Now, as I said at the beginning, security and network resilience are at the heart of how we differentiate and deliver our network leadership. Network resilience remains a top priority, and we are continuing to invest in it to deliver. For example, that combination of terrestrial and satellite backhaul, which gives us optionality with diverse backhaul, which expands and uplifts our network resilience.

Our towers are connected to our mobile network. And we are continuing to distribute that core network to reduce what's called a blast zone size, which minimises the impact zone. And we are developing a capability to shift our core network function to a public cloud, in the event of emergencies or unexpected demand.

And of course, power systems. They've been an area of focus, and we are taking innovative approaches to standalone and backup power systems to enhance network resilience. So we're working with various power companies like Horizon Energy, Western Power. And also we recently spoke about our hydrogen fuel cell pilot, which is going into a pilot phase across five sites in Victoria.

Of course, at the same time as we continue to deliver on network resilience, we're continuing to further invest in our security capability. Further investment in cleaner pipes to both protect our network, as well as our customers, and coupled with that comprehensive suite of security products, backed by our team of world class cybersecurity experts.

So let me turn to Enterprise, the Enterprise sector and private networks. So we have already built and manage 23 private networks today, and we are exploring 30 new market opportunities. And according to the ACMA, private networks will grow by 30% per annum over the next five years.

So the enhanced resilience that I spoke about, with satellite optionality with LEO, combined with our existing suite of public and private networks, and then you throw in some of the new advanced features on 5G, like network slicing, we think starts to open up some new market opportunities across

Defence, Government and Enterprise sectors. And we're certainly seeing some of those opportunities in the critical communications sector, like mining, oil and gas, rail and emergency services.

So we have been growing this capability to develop across our public and private network. And we think the combination of those is really going to give us that ability to provide highly tailored, reliable, and near ubiquitous service coverage in places that we think that we can open up these market opportunities.

So I want to turn to an area where we're increasingly starting to play a leading role at a global level. And this is in the area of advanced automation, and AI.

All of our core networks today are not the old black boxes connected together. All of them are running on software. And they're running in dynamic, virtualised environments, with security and resilience by design. So we have to introduce, rapidly, advanced automation driven by AI that loves us to improve and drive our technology leadership, and to provide further differentiated customer experiences.

And our architecture has been decoupled. to securely expose via APIs network attributes that allow us to rapidly compose new and innovative products to take them to market. And as a validation, we recently, at Digital Transformation World in Copenhagen, we were awarded and recognised for our Telstra as reference architecture model as being compliant to the now industry leading open digital architecture standard. And we were also presented with the IT Excellence Award for IT agility. So we're pretty proud of that.

And so we're going to continue to innovate and use AI. And I just want to give you three quick examples. So firstly, we're applying AI and machine learning to massive sets of alarm data and telemetry. And what that does – and this is in our fixed network today. And what that does, is it allows us to quickly detect any anomalous events in our network, and then do proactive and predictive analytics, to reduce the resolution time, and to then potentially prevent network and security related customer issues.

Then the next phase of this is to expand this to our mobile network. We are already doing real time tuning of our wireless network. And in the next phase, we're going to bring in AI and machine learning, to make it much more real time.

We are currently working on improving the optimisation of energy use in our 4G and 5G networks. And this is a collaboration with our vendors. And we are working right up the stack, where we've already introduced improvements in silicon and in network features. And in the next step, we're going to bring AI and machine learning to again make it more a real time experience, to get that combination of the most efficient use of energy, combined with the best customer experience. And we are one of the world leaders on this.

So bringing that all together. Ultimately, a key aim of our investment when we bring this together is advanced network features, network resilience and security, combined with AI driven autonomous management. And what we want to do is to then deliver an always-on consistent and reliable experience for our customers. And this consistent and reliable experience is about delivering performance suitable for our customers' needs, whether they're in commuting, they're walking, in those at home, in the office, or in a shopping mall or at a stadium. So we will aim to tailor the capacity, and speed across the places our customers travel, live, work and play. Thank you.

And with that, I'll hand it over to Brendon.

Presentation by Brendon Riley

Brendon Riley: Hi. Thanks very much, Channa, and good morning, everyone, wherever you are. I wanted to talk a little bit about demand, our world class assets, and how we're looking at opportunities in digital infrastructure, and how we're set up to capture some of those.

Vicki's already covered the fact that we've got amazing demand already before us. And I like to think of it in layers. That's typically how the industry is talking about it. The everyday use layer, which is probably that first one, all of our businesses, Government applications, all of the use, we use through, mobile phones and all of those networks. And then we're starting to see a large additional workload layer come through AI, and an additional one on top of that with sovereignty and data security.

As you look at what's happening around the world, what's interesting, if we look at our data centre to start with, in terms of all of the interactions I've had in the last few months, in the US and other markets, most data centre capacity has been sold. There's strong bookings for forward capacity that's being built. And there's been a rapid acceleration of data centre sales here in Australia in the last few months, along a similar trend.

That's going to require backhaul fibre connectivity, just the data centre workload alone. And when we think of all of those workloads on that backhaul fibre opportunity in Australia, we see that as a $1.7 billion opportunity by 2033.

Data centres are not islands. They must be interconnected and interconnected by fibre. We've got the international and domestic side on how we do that. You've heard Channa talk about satellite, that's probably a new load that needs to come in, in some form, on fibre as well.

But when we look at the assets and the capabilities Telstra has, it's pretty amazing. Internationally, 400,000 kilometres of subsea cables, 36 landing stations, 2,000 POPs. And then once you've traversed the seas, and the different points, and you land in Australia, then we've got amazing duct fibre capabilities and connectivity to all data centres and NBN points of interconnect. We're an at-scale global provider, and we have an excellent reputation in terms of being a trusted partner, on time delivery and customer service excellence, and the advanced nature of our technology solutions.

InfraCo has just celebrated its fifth birthday. And it's been an amazing journey so far. From its creation, through to the establishment of Amplitel and then monetisation of the Towers business. We've been through the corporate restructure. There was a huge amount of work we did to get ready for monetisation on the Fixed side, if we had have chosen to go down that path. And I think we've just become more mature and more relevant to the industry here in Australia.

I just want to say the execution continues. But we've needed to make, I think, some appropriate adjustments to what we're focused on. And that's the shift away probably from those asset verticals, which was the initial heavy focus, to being an integrated solutions provider. And we're doing that because that's what the market is buying. They're buying integrated digital solutions.

We're moving to customer success teams. Again, the market is looking to have a completely integrated set of capabilities before them, as they're looking to do major digital infrastructure transactions. Safety remains a critical priority, just given the breadth and depth of our facilities. Driving our operating efficiency, which I'll talk about in a moment, continue to extend the utilisation of our assets. And obviously, being responsible in terms of how we operate that. So I'm very, very excited about the changes that we've made in a series of announcements just after full year results, to continue to drive the evolution and execution of this amazing business.

I'd like to now move to talk about intercity fibre. And hopefully you had a chance, if you're here in the room, to stop by the booth in the foyer to look at some of the fibre samples, and talk to some of the team. As I said before, we see this is a $1.7 billion opportunity over the next 10 years.

We're building a set of all new fibre paths, with a dual fibre approach; the pink fibre, and the blue fibre. The pink fibre is our ultra-fast, ultra-low loss fibre. It's really designed for those high workload point-to-point solutions such as data centre. The blue fibre is also incredibly fast. That's been designed to facilitate over 250 on-ramps, and on ramps into regional centres across the country.

On this ULL, the transmission rates per channel are 650 gigabits a second. That's about six times faster than anything available today. We've done a trial with Infinera. They took a 1,000 kilometre section of this fibre, and they delivered data capacity transmissions of 61.3 terabits per second per fibre pair. And that's seven times faster than anything that's available.

We're working on quantum key distribution encryption also, with Ciena, That's going to be very, very important for ongoing security in the fibre world. So ladies and gentlemen, soon we'll have operational, the world's leading terrestrial fibre solution. It's made in Australia, in fact, here in New South Wales at Dee Why, with our partner Prysmian. It's engineered to roll continuously to minimise joins, to maximise performance. And it's engineered to withstand the weather and the wildlife of Australia.

What was interesting in approaching Investor Day is one of the team uncovered a newspaper article from 1988. It was in fact, the 31st of August 1988, almost to the day we're here. And this was about the intercity fibre of the day that Telecom was building; a 2,700 kilometre link across the Nullarbor. And the use case, which is quoted, was being able to send 8,000 fax sheets across Australia in two seconds. It spoke about being able to carry 190,000 concurrent telephone calls by the mid-1990s.

If we roll forward a little bit, what might be a more realistic hypothetical use case today; let's say we wanted to transmit the Google search index across the country. That's 100 petabytes. That's 100 million gigabytes. We think that will take around about four hours. If I go back to the fax use case, in four hours, back in 1988, we would have been able to transmit 5.7 gigabytes, 5.7 gigabytes to 100 million gigabytes in four hours, just to give you a dimension of how things are advancing and rolling.

These are the existing routes that are under construction, about 9,000 kilometres. You'll see the Perth/Sydney inland route. And then you'll also see routes that connect Perth to Adelaide, and then other routes up the east coast. We're starting with these because we need to build more capacity. We are very low, and the nation is low on capacity on a number of these routes. And there's also very, very strong demand on these routes.

And then what we've announced today is an additional 5,000 kilometres. And you can see the new routes highlighted. In particular, I want to focus on the Adelaide/Darwin route. We think this is a very, very important route, particularly to connect to the subsea cable infrastructure of Asia. We think that's also a very, very important route for data centre use cases in solar rich areas. And it's also very, very important for redundancy and resiliency for the nation. I'll talk about the Pilbara work that we're doing in a moment.

Now, I wanted to talk about how we're developing and monetising the intercity fibre offering. And last week, I was doing a tour of one of the leading data centres in the country, at Eastern Creek. And I can honestly say, having toured that data centre, that's as good as you'll see anything in the world from a data centre perspective. And I think Australia is building amazing digital infrastructure.

But it occurred to me, as an investor, if you're going through that facility, it's very obvious how things are going to be monetised. And it's something you can physically see. You can see all the power grids coming in. You can see fire suppression systems. You can see the air conditioning, the power. You can see where the workloads, the different workloads sit across the floor, from Enterprise and Government, to the hyperscaler cloud providers. You can even stand on the roof and see where the next section or part of the data centre is going to be built.

It's a little bit harder to visualise how we might monetise something that's this big, that's buried in the ground and requires specialist equipment to operate. So I've put this slide together. And I want to talk about a few key attributes from a customer perspective.

Firstly, the customer needs to decide are they going to manage the fibre solution themselves, or is Telstra going to manage it for them? The second is, is the solution going to be lit or dark? Lit simply means we have electronic equipment at each end of the fibre, and along the fibre, that's responsible for transmitting the data. And then lastly, the capacity and speed that's going to be required.

The first workload is a wavelength service. And this is a traditional lit service that we would manage. It's medium in terms of capacity. And the way the commercials work is, it's typically a service charge per month, per kilometre. We have 100 and 400 gig today, and we have increasing speeds, such as 600 gig to come.

You then progress to a spectrum service. And essentially this is a customer leasing part of a fibre pair, which is the FP. That can be customer managed or Telstra managed. Generally bigger capacity, and generally medium to long term. And the way that commercials work is through upfront IRU payments, that's like capital contributions. And then a trailing service level charge.

And then we move to the new emerging use case of dark fibre. This is customer managed, leveraging the customer's technology solution. They are very long term arrangements, and we're talking about massive capacities. And very much suited to that hyperscaler data centre to data centre workload. These are IRUs and trailing service charges.

What's the connection between all three? Well, you may want to start with a wavelength service. That gets you off and away pretty quickly. And then you can move to a spectrum service, and eventually, or straight away, to a dark fibre service.

The key point here, similar to a data centre, is we have 20 to 30 years of capacity through the fibre. What do you need from a customer perspective? You need long term certainty and tenure, you are going to be able to continually upgrade and drive capacity to suit your needs.

So hopefully that gives a little bit more colour to how we're driving the productisation and monetisation of intercity fibre. And I'd just like to say we're very excited by the demand we're seeing, and we are seeing all of these use cases play out as I've just described them.

In terms of the construction update, as Vicki mentioned before, we're over 400 kilometres constructed. We will have around 2,000 kilometres completed by the end of the financial year. We've commenced on the five routes, and we will commence planning and work on the others. We have great construction partners in place. They're long term arrangements, we believe we've got very, very good cost and delivery certainty.

For the dark fibre solution, we have to develop about 250 micro Edge sites along the route, to support the active equipment from our customers that will be required. And we're heavily engaged with traditional landowners, national parks, and the State and Federal Government agencies.

Land access is complex these days. It's very important that we get it right. And it's something that we're very, very focused on. And just last week, we received support and approval from a number of Aboriginal Land Councils for over 256 kilometres of fibre cleared for building.

Vicki mentioned the Pilbara. This is a project that we're working very, very closely with David and his team in Enterprise. It's a massive economic engine for the country, with billions and billions of planned investment [coming from mining, oil and gas, clean energy and other sectors] over the next 10 years. We'll be building an additional 165 kilometres of fibre to connect a number of critical sites and facilities across the Pilbara. And there's also a number of other initiatives we have to further augment and uplift our capacity and resiliency. This is going to support a number of use cases, particularly in mining, but also in Local Government, education and health.

Moving from intercity fibre, I'd just like to talk about some of the other opportunities that we're focused on to drive growth in digital infrastructure. The first is back to fibre itself. We, in addition to intercity fibre, built 3,500 kilometres for new fibre projects last year. A good example would be the New South Wales Department of Education, which the Enterprise team led. That involved upgrades to 2,200 schools, and there were 5,600 separate fibre links that needed to be upgraded. Or if you have a holiday home at King Island, or you live on King Island, then we've just built 60 kilometres of new fibre across King Island.

The mobile infrastructure is also incredibly important, as Channa spoke to. Amplitel built 96 new towers, and we also work closely with Amplitel and Telstra to connect 500 new small cells, fibre connected small cells across the country.

Dark fibre is launched. It's growing. Very, very happy; we're now at over 1,000 services. So volumetrically from an order book, it's doing well. We're participating strong in the satellite industry, working with most of the satellite providers on our ground infrastructure capabilities and fibre. ViaSat is the one we've spoken about more publicly.

We've got a very, very large commercial services business that we run, that did 3,500 projects last year, it's about $100 million a year. A good example would be the Craigieburn Road upgrade in Victoria, where we had to do about 16 or 17 kilometres of new infrastructure and relocate existing infrastructure.

We've stood up a network operations centre that's not only to drive response to customer management, but that also helps us optimise our maintenance and lifecycle management activities.

Going forward, we've got some amazing assets that we're going to continue to develop in addition to intercity fibre. We are in the data centre business. We're not in the hyperscaler data centre business. But we do have a small number of data centres, and a medium number of data centre-like sites. We're going to continue to develop those, such as Wellington Street in Perth, and Woolloongabba in Brisbane.

We've got 120 sites we've assessed for Edge. And that's where we've got fibre power, and space available, as Edge continues to develop.

Amplitel has been a really, really strong success story. They've built 200 new towers so far, there's another 600 under development. And off the back of the strong signings over the past few months, we'll see strong growth both in services and non-Telstra tower lease revenue.

If you think of all of our sites, we're a major consumer of energy in Australia. But if we think about those sites a little bit differently, there's about 15,000 which are grid connected. There's about 28,000 HVAC systems. We generate 300 MVA in generating capacity, and 800 megawatt hours with battery capacity.

If we were to think about that a little bit differently, about how we could prevent blackouts, how we could optimise the load to lower bills, not just for ourselves, but for others, how we could support the transition to greener energy, then that's something that we are actively exploring. That would require some modernisation to our environment. But a really, really good opportunity and approach.

On property, we have a lot happening. We've got some amazing sites, and I wanted to now go to a video on a redevelopment we've done in Perth, with one of our major Enterprise customers, Fugro.

[Video plays]

Male: *The remote operations centre here within the Telstra building enables us to provide assurance to our clients that we're operating on a 24/7 basis, without the risk of losing connectivity, which is the most important thing for us when we're operating remote assets that are totally uncrewed.*

Male: *Fugro Australia's core business varies from providing geodata to industries such as construction, offshore oil and gas, the renewables market, and we're moving into the space industry as well.*

Male: *We've worked with Telstra InfraCo for a number of years. Previously, we were based out of the Gnangara Centre. We've moved here now into the Telstra Exchange Centre in the centre of Perth, which offers a much more accessible location for our staff to be operating the assets remotely.*

Male: *You're looking at the bridge of a vessel, 2,000 kilometres away from where the vessel is actually located on the northwest shelf here. So at the moment, all these pictures all live. We've got approximately 16 channels of video coming in from the vessel. We've got three cameras onboard the underwater vehicle, plus the other sensor payload that's on at the moment.*

Male: *Our risk tolerance is as close to zero as possible. The last thing we want to* *do is lose a vessel. So we're at a facility like this that provides us the redundancy and power and communications and security, and a central location as well for our staff.*

Female: *Telstra InfraCo has many buildings across Australia that are ideally suited for the types of tenants that are looking for an office area, a secure data centre space, they could be a remote operation centre, or even a cybersecurity operating centre. They have low latency connectivity. They're highly secure, and we have power resilience already in place for our building services.*

Male: *We didn't look elsewhere. Telstra provided us yes answers all along the way. They've been a great partner in the sense that they were the ones that were able to provide us with the communications, and no one else has the same facilities and infrastructure.*

Male: *The benefits for both Fugro and also Telstra, having us located here in the remote operations centre, are already coming to fruition where you see other Government agencies moving into this building. And we're also looking at expanding operations, given the business need.*

[Video ends]

Brendon Riley: And as the video said, we do have more activity in that facility, with some major Government agencies in Western Australia.

I just wanted to close out today and talk about something very important, which is cost and operating efficiency. That's a major priority. We've got to have the expertise, the agility. It's very, very important we've got a strong supply chain. I think we've got all of those dimensions to InfraCo.

There's four priorities we have around this area. The first is having leading asset management. We recently undertook a major technical due diligence of all of our assets with Aurecon. We now have 30 year plans on all dimensions that you would expect to see in a sophisticated infrastructure environment. That includes the cost, the maintenance, life cycle management, the safety, resiliency, security, all of those things, so leading asset management.

An efficient cost structure; that's not just about our cost efficiency, our deployment, our construction costs, our total costs. Having great customer service delivery; that's super important. And then being responsible; having sustainable operations and being environmentally and socially responsible.

I wanted to just highlight a few examples of some of the things we're working on to drive our operating efficiency. I want to start in the top left with maintenance. We've got a lot of facilities and a lot of items that we need to attend to every year; about 440,000 maintenance tasks every year. And we do about 72,000 fixed network site alarm activities as well. Some of the things we've done is to work across the supply chain with our procurement team to get a 20% reduction in our supply and maintenance overheads.

On the legacy infrastructure side, we have a big decommissioning program underway with the Networks team, with Channa's team. That's switching off equipment. Sometimes in facilities in the past, we've had equipment that's powered on that's not actually being used. Most of that is now gone fortunately, but we continue that decommissioning.

LED lighting; we've done 251 sites with LED lighting. It sounds like a minor item, but that alone can reduce electricity consumption by 8 to 10% on each of those sites. There's a lot of automation that goes with the LED lighting itself. A big focus on batteries, replacing our batteries to support sustainability, reduce alarms, reduce outages. And we're now starting to move to lithium ion batteries.

On the energy-savings itself, you can see we've reduced our consumption by 89 gigawatts since we started InfraCo. We've got another 50 gigawatt hours of reduction to go over the next five years. And given the increase in power prices, that's going to be a very, very strong focus. New HVAC systems in a lot of our facilities help with the remote management and load shifting as well. Copper recovery; it's been a really strong success story so far. We've extracted 28,000 kilotons. We've got another 50,000 kilotons in plan to 2026. And then as we're able to retire the copper network, then we'll continue those plans out to probably the early 2030s.

From the property side, we've done a number of major divestments, contributing meaningful EBITDA. With that program, we'll continue this financial year, and we've got more sites planned in FY25 and FY26. And for Amplitel, there was a really, really good example of renegotiating land leases for that business which has created a $40 million annual saving, as well as increasing the WALE.

The last thing to touch on, just from an IT perspective; we're continuing to invest in the IT platforms, particularly this year in our fibre asset management system. We're working on AI. A couple of use cases we've got going; one is an AI tool to predict power outages and duration of outages across sites. And that involves weather prediction. We're working with a major university on that. And then predicting fibre loss three months before we have fibre loss, and that's based again on a whole range of different use attributes.

I should also lastly touch on the digital twins program we have with Amplitel. We now have 4,000 digital twins. We've got a very, very strong program to have that fully digitised by 2025. And that drives a number of use cases, as built accuracy in our documentation, billing, safety, being able to better optimise and schedule the planning of building and deploying new mobile networks.

So ladies and gentlemen, infrastructure is an exciting space. I hope you can tell I'm excited. I love this role. It's a real privilege to lead the business and work with all of my colleagues. I think we've got huge demand coming our way. We've got some amazing assets. Very excited by Intercity Fibre which is a nation building project for the country. And we're going to continue to focus on how we can be as efficient and cost effective as possible. That's it from me. And now I'm going to pass over to our Chief Financial Officer, Michael Ackland.

Presentation by Michael Ackland

Michael Ackland: Good morning, everyone. And thank you, Brendon. That was fantastic. I'm pleased to take you through our financial strategy now, after which all the speakers will return to stage, and we'll take some questions.

So at our Investor Day in September 2021, we presented our T25 financial strategy, and we talked about five building blocks to deliver growth and value for shareholders. These remain unchanged, and continue to form the foundation of our T25 financial ambitions. These are building financial momentum across the portfolio; delivering net cost reductions; focusing on cash conversion and generation; active portfolio management; and creating shareholder value through our capital management framework. I'd like to take you through how we're seeing each of these, starting with financial momentum.

Our FY23 results show continued growth in earnings with overall positive momentum across our key indicators. Our Mobile business remains central to that growth across all segments. We've also heard from Brendon today about the opportunities within our Infrastructure operations as well as our International business, which is itself a Mobile and Infrastructure business. Importantly, these businesses, Mobile, Infrastructure and International, have significant competitive advantages and structural demand drivers underpinning continued long term sustainable growth. In FY23, they are our largest contributor to earnings comprising over 90% of our EBITDA. With a largely fixed cost, capital intensive network infrastructure base, they also have strong operating leverage.

Of course, this infrastructure also supports our broader offerings including our fixed line products across Consumer business and Enterprise customers. Finally, our strong cashflow generation allows us to reinvest in maintaining network leadership, customer experience, and in turn, supporting ongoing growth. Our expectations for business as usual CapEx are unchanged, at around $3 billion per annum, excluding spectrum, and before taking into account Digicel Pacific. In addition, we're investing further in new, longer term growth with strategic CapEx, including the Intercity Fibre project Brendon just detailed.

Now, turning to our financial momentum in our Mobiles business; our Mobiles business is a high quality asset with strong fundamentals and long term demand drivers. Mobile usage continues to grow. It is supported by population growth of one to two percent per annum. It continues to provide increased utility, and we continue to see new products, services and devices including an array beyond handsets to wearables, AR/VR and appliances. In fact, our IoT devices on our network have almost tripled in the last five years to over seven million. With that backdrop, we continue to invest heavily in the network technology and services we offer customers.

As you heard from Channa, this has supported a differentiated network, underpinned by great digital customer experiences that enable us to capture growth. Our work in onshoring call centres, insourcing retail stores, digitisation and network security also support our premium proposition. During T22, we moved from 1,800 to 20 simplified Telstra branded plans with no lock-in contracts and no back book. We introduced the potential to review mobile pricing annually and in line with CPI. In addition, we unbundled plans from handset purchases, removed subsidies, and created a loyalty program which now has more than five million members.

We recognise that our premium Telstra branded service may not be the right choice for all customers. But we are committed to building a connected future so everyone can thrive. Our multi-brand and channel strategy includes a range of differentiated service offerings via Belong, JB Hi-Fi, Boost, and our wholesale MVNOs. This approach helps deliver more choice for customers, and optimal value outcomes for shareholders. The compelling fundamentals in Mobile give us strong confidence in the outlook for the next decade, as well as our ambition to deliver mid-single-digit CAGR in services revenue to FY25.

Turning now to financial momentum, specifically in infrastructure; as you heard from Brendon, there is clearly strong demand and opportunity in digital infrastructure, and Telstra is well placed to capture this. We aim to grow revenues from our world class infrastructure assets while investing to capture new demand. We will be disciplined and deliberate in when and how we invest, making the best use of our assets. For example, we’re not in the hyperscaler data centre space. But we are in the business of connecting them. We have high quality unique assets of national significance with high replacement value.

The assets are backed by strong cashflows including almost $1 billion in EBITDA we receive annually from the Government-owned National Broadband Network. This is CPI linked for the next 24 years of the contract, and Government guaranteed for the foreseeable future. This includes our International business which also has a strong market position, as Vicki referenced. We see significant opportunities to leverage this further by investing in strategic growth. Building high quality, future-proof assets with significant long term upside in demand are examples of where we will seek to invest to capture value.

In 2022, we announced our investment in two major infrastructure projects: the Intercity Fibre project which will deliver state of the art fibre across nearly 14,000 kilometres of new routes. In addition, the building of the ground infrastructure and fibre for ViaSat, which will support the new ViaSat 3 terabit global satellite system as part of a 16.5 year contract. The cost of the Intercity Fibre project, including the routes announced today, the Pilbara fibre and the infrastructure for the ViaSat project, is projected at $1.6 billion outside of BAU CapEx. This is at the top of the range previously advised of $1.4 to 1.6 billion. We have already invested $300 million, and we expect to spend around a further $300 million in FY24, with the remaining investment in FY25 to FY27 inclusive. The projects are on track to deliver mid-teens IRR or better, nine-year cash payback, and around $200 million in annual income on a run rate basis once all routes become ready for service and contributing.

Cash payback and IRR are supported by expected IRU contracts, where a significant proportion of the long term contract value is received upfront. With the respect to the timing of revenue recognition, we have assumed that all IRUs are treated as operating leases. We are bringing all of our experience and discipline to bear in executing these projects, including our long track record of nation building infrastructure projects and governance around managing construction risk and inflation. We have a great set of infrastructure investments, and when similar opportunities arise, we aim to capitalise on these to create value for shareholders. Together with our continued strong momentum from our operations, these new investments give us confidence of diversified, sustained growth for the T25 period and beyond.

Now, turning to the second block of our financial strategy, delivering net cost reduction. We achieved $2.7 billion cumulative net fixed cost reduction from FY16 to FY22. Our ambition is for a further $500 million reduction in fixed cost core to FY25. In FY23, we reduced our fixed cost core by $41 million despite the onshoring of call centres, inflation, and $45 million of higher energy costs, as well as foreign exchange headwinds. The key productivity areas remain unchanged. However, cost headwinds remain significant, and have only continued to increase since the cost reduction ambition was set back in 2021. For example, despite having driven power reduction and hedged FY25, energy costs are likely to be $100 million [verbatim - billion] higher versus what we had planned for in the FY21 outlook. The impact of the lower Australian dollar is also not insignificant.

As we said at our full year results, cost reduction remains challenged giving the stickiness of inflation. We continue to be absolutely focused and disciplined around cost, and we still expect to achieve the large majority of our ambition with most of this in FY25. Above all, we remain committed to achieving our T25 underlying EBITDA and EPS growth ambitions.

Now, turning to the third building block of our financial strategy: a focus on cash conversion and generation. Our business generates strong cashflow with strong EBITDA to cash conversion. In FY23, we delivered free cashflow after leases of $2.8 billion. If we exclude the $300 million of strategic investment in FY23, free cashflow after lease was even stronger at $3.1 billion. Our guidance is for free cashflow after leases in FY24 of $2.8 to $3.2 billion, including strategic CapEx of approximately $300 million. Our strong cashflow profile helps support the strength of our balance sheet which is a competitive advantage.

Net debt has reduced over recent years, excluding the acquisition of Digicel Pacific, which includes project finance and non-recourse debt. We remain comfortably within our debt servicing comfort zone of 1.5 to 2 times EBITDA. Our balance sheet capacity, together with our strong cashflow generation, provides us with flexibility and ability to continue to fund and grow dividends which is what we have done in recent years, as well as to invest in growth through spectrum, M&A and strategic CapEx.

I'd like to move to the fourth building block of our financial strategy, and how active portfolio management helps support growth and unlock value. We have a strong track record of active portfolio management to maintain the strength of our balance sheet, preserve flexibility to invest, and unlock value. We have demonstrated this with over $2 billion of assets monetised during T22, and the sale of 49% stake in Amplitel. The restructure of InfraCo Fixed has created greater transparencies and pathway for further efficiency and growth. Importantly, flexibility around InfraCo Fixed in the long term is retained.

Across our portfolio, we will evaluate growth opportunities or exit investments, depending on their alignment with our strategy, the impact on ROIC, flexibility or the ability to unlock value. We will continue to apply our previously communicated financial criteria for organic and M&A opportunities. Our immediate priority areas are in digital infrastructure domestically, international subsea and further scale and capabilities in tech services including cloud and security. As Vicki referenced, our proposed acquisition of Versent is an example of meeting these financial and strategic objectives.

We have a long history of partnering, and we will continue to do this to maximise growth and value. When thinking about partnering we have four priorities we consider: 1) Support our group capital management framework objectives including financial strength and flexibility and seeking to grow the dividend; 2) accelerate growth; 3) access other funding options or to optimise cost of capital. This could include off balance sheet or non-resource solutions. And 4) share risk or access capability not otherwise available to us.

Now, turning to the fifth building block of our financial strategy, our capital management framework. We continue to apply fiscal discipline and use this framework to manage capital and deliver shareholder value. We're committed to balance sheet settings consistent with an A-band credit rating. This commitment continues to be important to shareholders and to debtholders. We aim to maximise fully-franked dividends and to seek to grow it over time. This reflects the importance of fully-franked dividends to shareholders and our intention to return as much cash by fully-franked dividends which can be sustainably supported by earnings and franking, while also balancing the objectives and principles of the capital management framework. I've spoken earlier about the importance of our ongoing investment in BAU CapEx to maintain financial momentum. And with our strong cashflow, we remain focused on investing for future growth, and in the event of excess cash, delivering additional returns to our shareholders.

Finally, I'd like to touch on our debt financing arrangements. The strength of our operating business and disciplined approach to capital management provides continued access to debt markets at attractive rates. We saw this earlier this year when we proactively issued the equivalent of $1.5 billion Australian in debt at attractive rates across Australia and European public markets. Our debt profile is diversified with a weighted average maturity of approximately four years, and an average borrowing cost of 4.6% in FY23. We aim to issue all new debt at the Group level. Our established hedging practices provide more certainty of forward rates aligned to our policy. Currently more than 50% of our gross debt is fixed at an average rate of around 4.5%. With the support of our T25 financial strategy, we remain on track to achieve our previously announced financial ambitions which you can see on the slide.

Now, turning to our FY24 guidance that we announced in August this year, and have reaffirmed today; you can see the ranges along with the conditions upon which we have provided them. In FY24 to date, our Mobile business continues to perform strongly. In Enterprise, the headwinds in DAC and calling that we outlined at the full year results, remain broadly in line with expectations.

However, consistent with professional services, activity in the market more broadly, our professional services growth and managed service performance will be less than expected. As a result, we do not expect NAS revenue and EBITDA to grow in FY24. In terms of phasing, we expect our FY24 underlying EBITDA to be second half weighted given the timing of fixed costs, and asset disposals and growth in InfraCo Fixed.

So to conclude, we have a strong track record of delivery. We have built financial momentum across our portfolio, and laid the foundations for further growth. Our T25 strategy is on track, and we remain focused on delivery of our ambitions. We're uniquely placed to continue our track record of network leadership and differentiation.

We are excited about our ability to capture demand in digital infrastructure, and we have a strong pipeline of investment opportunities. We have a strong balance sheet enabling us to continue to invest and to capture growth, and we remain focused on investing to provide our customers with the best experience possible, as this is what matters most for our growth and value. I'm now going to hand over to Nathan to take us through Q&A. Thank you.

Q&A

Nathan Burley: Thanks Michael, and I'll get the rest of the speakers to come and join me on stage. Now, we're going to start some question and answer time, and we're only going to take questions from the room, so I invite people to come to the microphones here. That's probably the easiest way, just to walk down to the microphones and we'll take some questions. So we'll start over here. Entcho from Evans & Partners.

Entcho Raykovski: Thank you. Can I ask just a very short term question around the four-year guidance and the comment that it will be second half, EBITDA growth will be second half weighted? So do you expect to see a level of EBITDA growth in the first half, just for the avoidance of doubt? And how do you think about that weighting? I think last year, it was 49-51 weighted. Is there a figure you've got in mind?

Vicki Brady: Why don't I comment first and then Michael, you jump in? So Entcho, as you point out, it's not unusual for us to be a little bit second half-weighted in underlying EBITDA, so I think we're reaffirming guidance today in the ranges. And just wanted to point out that we would expect that slight second-half weighting. Michael, I don't know if you want to add any more.

Michael Ackland: Yeah, so typically, we're seeing cost being higher in the first half than the second half, but we're going to see that again based on some of the activities we undertook in this first half. So that's not abnormal. In our NAS business, it tends to be second-half weighted. We expect to see that come through again. And the only additional point would be in some of the asset disposals and InfraCo Fixed growth that we expect to be a bit more second-half weighted.

Entcho Raykovski: And so, again, just thinking about the full-year guidance, since you presented back in August, have you seen mobile growth actually stronger than what you expected? Is that offsetting some of the NAS weakness? I mean, we've obviously seen what's happening with MVNO repricing as well. So are you seeing an additional benefit coming through on the wholesale side as well?

Vicki Brady: The thing I'd say, Entcho, I mean, when we did results in August, I mean, at that stage, we're very happy with Mobile. It continues to perform strongly. And as is always the way with our business, there's going to be elements that are performing really well. There's some areas that are challenged and yes, NAS is one of those areas we have been seeing that weakness, and I don't think that's unique from conversations in the market. At the moment, it feels like professional services activity has pulled back a little bit more broadly. So Mobile continues to perform strongly for us.

Entcho Raykovski: And maybe a longer term question: just obviously a lot of detail around the Intercity Fibre project. Can you talk to what percentage of the construction costs are locked in under the project because – I mean, obviously there's all sorts of reports of pressure on construction costs, and I guess I'm interested in how you think about the risk to the longer term IRR targets, so the mid-teens IRR target, and whether that's potentially at risk if construction costs keep going up?

Vicki Brady: I think the first comment I'd make, and then Brendon or Michael might want to jump in: so, Entcho, on those mid-teens or better IRRs, we're very confident in those. So as I spoke about, I mean, the structural demand that's out there for fibre is enormous in the country. So very confident in those. And obviously as we've thought about the investment and we've done our scenarios and modelling, a lot of focus on construction in terms of what might happen on cost there. But Brendon, I don't know if you want to jump in and talk a little bit more.

Brendon Riley: Yes, I mean, I think on the existing routes we're building here, we've got very, very good long term arrangements in place. So, I think we're very confident on those costs, and I think on the 400 kilometres to date, I think we're very happy with where things are. Land access has proved a little bit more complicated than perhaps we initially thought it would be, but we're starting to make some really good progress there. So they'll be probably the two messages I'd leave you with on that.

Entcho Raykovski: Can I sneak the very last one in or should I –

Nathan Burley: No, you've had three. We'll go over here. Annabelle from Goldman Sachs.

Annabelle Long: Good morning, guys. So just a follow up on the Mobile business; in terms of it performing strongly, should we read that as tracking ahead of the mid-single-digit service revenue growth target? And does that suggest also that the churn from the price rise has finished?

Vicki Brady: So firstly, there's no change in the mid-single-digit mobile service revenue ambition, so to be very clear on that. So Mobile continues to perform strongly as we expected. We're now on the other side of – obviously, we did our annual price review and made the decision to put prices up. As we spoke about at results, yes, we, as anticipated, saw some uplift in churn through that period and some softening of acquisition. We're now on the other side of that and seen trading return to normal.

Annabelle Long: Thanks, Vicki. And just on the CapEx program, you originally spoke about the $200 million EBITDA from $1.4 to $1.6 billion CapEx. But now at the top end, but the run rate income is still the same. Does this imply that returns have come down? Just trying to understand a bit of the returns on this incremental spend a bit more.

Michael Ackland: Yeah, why don't I answer that? No, it doesn't imply that returns have come down. As Brendon talked about, and I talked about as well, we will have a mix of what we sell onto these fibres of which we have made a set of assumptions between leases and IRUs and different lengths of time for IRUs. We've made the assumption that the IRUs will be accounted for as operating leases. So we've made the assumption that it will still be around that $200 million mark as we go forward. But the IRRs are still strong. And I would focus for these projects – like you would for a data centre project – to look at IRR and cash returns which is where we're focused.

Annabelle Long: Thank you, and can I just have one more on the NAS business? Just given those cautious comments around the full year revenue and earnings, are you able to comment on how we should think about the first half performance given it's typical seasonality, and I suppose what gave you the confidence to acquire Versent and given the challenges NAS has been facing?

Vicki Brady: I don't think we're going to go into first half, second half on NAS, but it's normally second half weighted. Just in terms of the Versent proposed acquisition, I would just say we see it as an excellent and complementary acquisition as I spoke about. As you look at its customer portfolio, it does have a lot of blue chip customers. We're in there providing the connectivity. We're not doing the digital transformation services for those customers today. Versent are. Equally, we see opportunity assuming the proposed acquisition goes ahead.

Obviously, our ability with our customer base to bring what Versent can provide into those customers we see as a great opportunity. So it really helps step change that market leading cloud practice ambition we have for Telstra

Purple. And with that acquisition, it's a team of around 500 people, very talented, deep capability and excited, assuming it goes ahead, to have them be part of the Telstra team. So still very confident. Obviously, what we're seeing in the market activity right now on professional services is shorter term, and we're still very confident. That demand and shift to the cloud here in Australia, there's still a long way to go. So we can see, as we look medium to long run, absolutely, it's important we have this capability and we're able to provide those services to our customers.

Nathan Burley: Eric, we'll go over here, from Barrenjoey.

Eric Choi: Thanks, Nathan. I might go with three as well. Annabelle pointed out that $200 million of income hasn't really changed from February 2022, but obviously we've had this whole Gen AI thing come along. So I'm just wondering is there a bit of conservatism in there? Just thinking about what Brendon's saying, there's a lot of likenesses to the DCs. And the way that they contract up their capacity is you might have 15 in your initial term and then you've got some options. So you guys just factoring the initial terms in there, it's like any optionality or upside that you're not factoring? That's question one, sorry.

Vicki Brady: So I'll just say again, I mean, firstly, we're very confident on those IRRs, the mid-teens or better. When we did announce it, Eric, just to clarify as well, when we announced the Intercity Fibre project initially, we were looking at the full project. We've obviously announced and started building the two separate tranches of routes. But when we were looking at it upfront, and I guess as we've got further into it, just the confidence in the demand; Brendon might want to touch on the conversations he's in. So we're very confident in those IRRs and progressing those discussions. Brendon?

Brendon Riley: Yes, I mean, we've got great conversations going in the Enterprise, Government space, major technology services companies, cloud providers, data centre providers, hyperscalers. There's really, really strong interest and yes, I mean, getting it built and operational, that's the next step. And get that done and really try and do everything we possibly can from a management perspective to exceed that. But I think right now, that's where we see things.

Eric Choi: Just second question, moving tack a bit: in hindsight, it seemed obvious why you're holding the assets until the medium term. I'm just thinking about that $200 million, and if you put that on a mid-teens EBITDA multiple, that's potentially $2 to $3 billion of value, granted there's still CapEx to be spent that's not being captured. So my question is: when you guys were canvassing third parties, were they giving you the value for these future projects? And if not, does that mean that once these projects are finished, that's a potential juncture for you to – you guys to reconsider monetisation of InfraCo?

Vicki Brady: Eric, I'd go back to, I mean, our decision on InfraCo Fixed and retaining the current ownership structure. As we've said a few times, we absolutely see that as the right choice for the medium term. Of course, the optionality still exists over the medium to long run. And that's really – I mean, the Intercity Fibre project is one example of the demand that's out there. And obviously we've made the choice and we're investing the money to build that. But as Brendon spoke to today, there are many opportunities out there in the digital infrastructure space, and absolutely, having that flexibility to meet the customer needs.

I think a few of the things Brendon really drilled a bit further into today are incredibly important. That flexibility across fully managed lit services all the way through to big dark fibre solutions; Brendon now having his wholesale teams and his InfraCo teams brought together, being able to be flexible enough to meet the demands of customers and evolve. So as we said, we see real opportunity in InfraCo Fixed. Hopefully that structural demand and those trends that we shared today are pretty clear. So I would go back to that broader context rather than just project by project.

Eric Choi: Can I do a last one for Michael just on guidance? If you think about second half 2023 EBITDA was $4.055 [billion] – and sorry to be specific – but if you think about your guidance range of $8.2 to 8.4 [billion], at the bottom end of that, if there's a second half skew, there's a chance first half FY24 EBITDA might be nominally below second half 2023. And then I guess most – a lot of investors care about the dividend. And so if you think about last year, the EPS was already under-indexing the dividend, but you were prepared to look through it. In that scenario I just outlined, would you just look through it again and look at the full year EPS for DPS?

Michael Ackland: Well, I think we're reaffirming we're going to be within those guidance ranges, Eric, and we don't guide on dividend. But yeah, we're reaffirming guidance.

Eric Choi: Thanks very much.

Nathan Burley: OK, we'll move back over here with Lucy Huang from UBS.

Lucy Huang: Thanks, team. I've got three questions as well. Just to follow on from InfraCo; I mean, are you able to give us some more colour in terms of I guess how many customers have made at least a verbal commitment to maybe take on some capacity when it is ready, or whether you are open to maybe taking some precommitments ahead of FY27 just to give us some visibility into the line of sight for demand?

Vicki Brady: Yes, no, thanks, Lucy. Let me comment and then Brendon, I'm sure, will give a lot more colour. I think the important thing to take into account with projects of this nature: it's very, very common that you can see strong demand, you're in lots of discussions, but often you don't see firm commitment until services are built and ready to go. So certainly stepping back and looking at the Intercity Fibre project relative to previous builds and other projects around the world, I don't think that's unusual at all. There are lots of conversations going on, Brendon, so I don't know if you want to give a flavour of it a bit further.

Brendon Riley: Yes, I mean, as I mentioned a little bit before on that last answer, a broad-based set of conversations right across the different use cases. Clearly, we want to get things – get deals signed sooner rather than later, and very much to get deals signed before construction is built. If you think of the customer needs and the long term planning that goes into data centre, or this backhaul fibre, for many organisations, that will need to happen.

So that's our job, and I'm looking forward to coming and updating you all with more news on that. I mean, we have made an announcement about the strategic partnership we have with Microsoft. That's one that is a little bit more in the public domain. And obviously we're working closely with Microsoft and progressing discussions there.

Lucy Huang: And then just one on Mobile CapEx; I think you mentioned you wanted to maintain your one million square kilometre network lead coverage versus your peers. I guess with heightened government scrutiny on network resilience, do you see risk to that $3 billion BAU CapEx moving forward, or do you think mobile investment can still be well-contained in this environment?

Vicki Brady: Yes, look, Lucy I mean it's a fundamental, in terms of the CapEx we invest, and it goes for all of our network investments. But obviously our mobile network, we're investing in extending the coverage further. So yes, we've got around a million square kilometres today, as Channa said. Under T25, we're adding 100,000; already 80% of the way through that. But fundamental to how we prioritise CapEx and where we put it is absolutely into capacity and resilience, along with coverage. So it's foundational to the investment we make. And we've gone through – we're through the bulk of the 5G rollout. We're really now adding the capacity, and of course, resilience is always there as a foundational piece of our investment. So at this stage, I wouldn't see any major shift in that.

Lucy Huang: And just one last one: I think with the $500 million cost-out target by 2025, it feels like the biggest swing factor at this point is energy costs. And I think you had a target to reduce usage by 50 gigawatts over the next five years. How much are you expecting to save from that reduction in usage? And let's say energy costs keep going higher, is there scope to pull forward that target or to do more I guess reduction?

Michael Ackland: Yes, well I can start, and then Brendon could comment if you want as well, and maybe Channa. So I think the team's done a wonderful job at reducing energy costs, and you can imagine as energy prices go up, the business case for the next energy reduction investment changes slightly. And so we've certainly been doing that, and it has accelerated some of our focus on removing legacy infrastructure, for example, as that business case changes.

But as we said, we still expect with the plans we have for energy reduction that versus what we had forecast in FY21, energy will be around $100 million higher. And that includes the hedging that we have in for FY25. But it's a constant focus site by site and the price of energy definitely changes those business cases pretty rapidly.

Nathan Burley: Thanks Lucy. We'll go over – yes.

Channa Seneviratne: Quick comment. Yes, I'll just make a quick comment about – I mean, for example, we say we're shutting down our 3G network. And the 3G network covers 2.7 million square kilometres. It's 11,000 towers. So when we shut that down, it's 18, 19-year-old technology. 4G and 5G are so much more energy efficient. So that's an example of the decommissioning of legacy equipment which will really help us reduce the energy consumption.

Brendon Riley: And the only thing I would add, Lucy, is I said in the presentation, we are focused on all of the grid-connected assets and how we look at those, and is there an opportunity for us to look at more of an energy operating model lite play there, with some investment in new infrastructure. And yes, so that's an opportunity that is actively on the block in addition to all the other initiatives.

Lucy Huang: Thank you.

Nathan Burley: We'll go over here to Tom Beadle from Jarden who's been doing very well standing up with his laptop, I must say.

Tom Beadle: Thank you, Nathan. Look, just one question from me on portfolio management: Michael, you mentioned you could access funding options off your balance sheet or non-recourse solutions. Could you just explain what this could mean? What are the types of assets or projects that you could do this for, and would this involve just maybe levering up these projects or assets, or could you also bring in other equity investors?

Michael Ackland: Yes, no, it's a great question, and I think all things are on the table on a project opportunity by opportunity basis. But I guess I'd probably point to two examples. One is the way that Digicel [Pacific] is funded. So Digicel [Pacific] is inherently levered at a different level to the rest of the business. It's got non-recourse funding, and in effect project financing in there that gives us different leverage and a different cost of capital and access to different funds.

And then the other one would be all the various long term partnerships we've had in our international subsea business where we're equity holders. We're leveraged at different levels for things like the Southern Cross Network, or going back, the Australia/Japan cable and other things. So we've got a lot of experience in how to do this, and we're open to all of those things. I mean I think the main point would be the asset needs to be able to be defined and have a revenue stream and all of those things that are important to be able to do those. But they're the two examples.

Tom Beadle: And I guess just as a follow up: if you were to go down this path, would you need to change your capital management framework before you did that?

Michael Ackland: Well, I think we've done a lot of these partnerships within the construct of our capital management framework. And in fact, in service of it, to maintain the A-rated balance sheet, but to also access other funding and to give us to flexibility to continue to have that balance sheet setting.

Tom Beadle: Great. Thank you.

Nathan Burley: OK, Darren Leung from Macquarie.

Darren Leung: Thanks. Thanks, guys. I just have three questions, please, and I might start with the first one just in relation to the Mobile business, and we've talked about the network strength and the coverage. But obviously one of your key competitors has had a bit of a PR mishap, for lack of another term. Can you talk a little bit about the trading updates, or just how subscriber growth has gone on that regard, please? And then maybe as an extension of that, how should we think about the pricing strategy, particularly in relation to inflation-linked price increases into the medium term?

Vicki Brady: Thanks, Darren. I mean, the first comment I just want to make is I just want to be clear. I take – and we take – zero pleasure in seeing any competitor or operator experience major outages. So in terms of what we've seen post last week's outage, as you might anticipate, yes, we've seen some increase in acquisition of customers.

And I know there's been some speculation about how large that could be. And I guess I would just go back to the cyberbreach last year that occurred in the market. As we spoke about, post that, we saw some elevated acquisition levels for around a six-week period. But at the end of the day, there wasn't a significant shift in share in the market. So look, it is early days. We are continuing to see some elevated levels of acquisition at the moment. But again, I just think you've got to put it in context of what we saw last year. And at this stage, I wouldn't anticipate major shifts in share.

Then, I mean, in terms of pricing, look, what I can talk to is we've been very clear about the change to our terms and conditions we've put in place where we give our customers the certainty of an annual pricing review. As you saw in the most recent review, we take into account CPI, and we did make the decision to increase our pricing in line with CPI. In terms of moving forward, obviously, it's not appropriate to comment on future pricing decisions.

Darren Leung: Got it, thank you. And perhaps in relation to the outage, and how we're thinking about the fibre assets, how have the initial discussions gone in terms of enterprise customers? And has your pipeline increased as a result?

Vicki Brady: Is that, Darren, in respect of the fibre project or …?

Darren Leung: No, it's in relation to your competitor.

Vicki Brady: Right, OK. Well again, I mean, we're less than a week post the outage. I think what it has reinforced for customers, and particularly some of those larger government and enterprise customers, is probably a look at resilience; what resilience have they got in place for their communications needs? And so I know David and the team obviously are in pretty regular contact with our major customers. And top of that list is usually the resilience of services that we can provide. I think probably last week has been – has brought that to the top of the list for many organisations in the country.

Darren Leung: Got it, thank you. And maybe just one on the Enterprise EBITDA guidance. I just wanted to make sure I heard correctly, Vicki. Did you say Enterprise EBITDA will be flat? And it sounds like NAS EBITDA will decline as well. Does that mean DAC might be up?

Michael Ackland: Well no, what we said was the DAC and the calling headwinds were in line with what we expected. We also spoke to the strength of mobility. And we said that NAS – we now do not believe that NAS revenue or EBITDA will grow in [FY]24.

Darren Leung: Thank you.

Nathan Burley: OK, we'll go over here, Mark Busuttil from JP Morgan.

Mark Busuttil: Hi. You guys put up a chart with data consumption going forward. It was, I think, 24 to 33% CAGR in growth going forward. And I daresay in most other sectors, you would expect that to be a hugely positive scenario. But if you look backwards, you've seen similar data consumption growth rates for probably the last 10, 20 years. And over that period, there's been this growing expectation that all of that data consumption comes for free from consumers. You've also spent an enormous amount of CapEx, and we've seen returns diminish. So can you help us understand how you're thinking about safeguarding the business going forward to better monetise that growth in data consumption?

Vicki Brady: Yes, so thanks, Mark, and you're right. We've seen data consumption grow historically as well. And that data consumption, yes, is happening on the mobile network as we spoke about. We're seeing it in undersea cable. And we expect that demand on fibre as well to be huge as we look forward, as Brendon spoke too. So a few things: obviously, we've had a very big focus on making sure that we can continue to invest in a sustainable way in all of the capacity and the networks that we provide. And there is no doubt customers continue to rely on that more and more, and demand very high quality connectivity.

And so to do that, that has meant things like making choices around historically our annual pricing that we put in the market across our Mobile and Fixed Broadband businesses. So that's been part of that. Obviously, running the business as efficiently as possible, so taking net cost out of the business as well to make sure, again, as we look at driving growth, value and ultimately returns on what we're investing is absolutely critical. And we've invested in providing, for our Telstra brand, that very premium experience through onshoring call centres, through acquisition of our stores, to bring them back under ownership.

So you put that all together, we're holistically looking at that overall return on invested capital. We've got to be delivering the experience at the level expected for the Telstra brand, using our multi-brand portfolio in consumer and small business. Obviously then growing our Infrastructure business as that demand grows, and ensuring in the Enterprise space, we're set up to be able to help drive digital transformation and be able to provide connectivity and some of those technology services. So all pieces of that come into play as we think about driving the right outcomes for customers, but also generating the right returns.

Michael Ackland: Can I add – sorry, add a point to that, that I think is important, is the way that Brendon described those different elements of monetising fibre. And I think what's interesting around this wave of investment is particularly the diversification of the customers who are buying infrastructure, and buying access to infrastructure, with the hyperscalers, the data centre providers. All of that drive; they're now having to invest much more directly in buying access to that capacity.

And I think that's that diversification of the customer base rather than it just all being end user driven, and then infrastructure provider driven, is a change in dynamic that we have to make sure we're very focused on how we capture it, which is why I think that breakdown of how we're monetising those fibre investments is incredibly important.

Mark Busuttil: Is that a way to break the link about getting all of this data consumption for free?

Michael Ackland: Well, we hope so. We hope it's a way to make sure that – because unless digital infrastructure investors are getting the returns they need to get, then we can't keep investing in that infrastructure. And the economy needs that infrastructure. Businesses need that infrastructure and people need that infrastructure. So I think it is an evolution that's changed in those different layers of demand that Brendon had both in the start and the end of his presentation, I think are really important for us to focus on.

Mark Busuttil: Just secondly, and my last question, just in terms of the balance sheet, so 1.5 to 2 times net debt to EBITDA, you're not selling InfraCo, but clearly assets like that can hold a significantly larger proportion of debt. Is it possible to put more debt within InfraCo as a separate entity now that you've separated it, but you're not selling it?

Michael Ackland: So at the moment our intention is to put all debt at the Group level. But we are open to exploring partnerships that would include options such as off balance sheet funding or non-recourse or project financed debt, which would have the effect of doing what you said.

Mark Busuttil: OK, thank you.

Nathan Burley: Thanks, Mark. Roger Samuels from Jefferies.

Roger Samuels: Yes, so maybe a question for Brendon. You've got this map on the slide deck showing the dotted line of some of the routes between Perth and Darwin and Brisbane and Darwin, subject to demand. So does it mean that this potentially up side risk to the $1.4, $1.6 billion in CapEx? And if you build those routes, would you still get the mid-teens IRR?

Brendon Riley: Thanks, Roger. We did a design for all routes and all locations. On that map is all of the routes potentially you could have on an intercity fibre solution. But the work we've done is focused on the first five, and now we're announcing the next five. So the dotted lines are possibilities. It would be good at some point to look at those. But the financials that we've laid out do not include those additional routes, either the cost or revenue or EBITDA derived from those dotted routes.

Roger Samuels: Got it. Second question: in terms of your guidance commentary, you mentioned about the second-half weighted for EBITDA and there's a comment there about asset disposal. So what exactly are you planning to dispose of? And also the other part of the question is if I look at the ACCC report, there's another 2,400 mobile towers that are still kept within the Telstra entity and not part of Amplitel. Just wondering what are your plans on those assets?

Vicki Brady: Do you want to talk to the asset disposals?

Michael Ackland: Yes, so I mean, particularly as part of our InfraCo business, we talked about both property and copper legacy asset disposal. The copper is probably a little more even, but some of the property disposals tend to be a bit lumpy. So it's property disposal in –

Brendon Riley: Yes, and I think on the mobile towers, I think there's most of the ones you're talking about that Telstra Limited continues to own. So for example, there's towers that support the 3G network in remote areas that are really just dedicated for Telstra's sole use. So we don't foresee any major change to the tower split that's been done.

Roger Samuels: All right, thank you.

Nathan Burley: OK, back over here for Ian Martin.

Ian Martin: Thank you. Just a couple of thematic questions if I could. Going to the comments around the Enterprise and Government sector, I think you indicated that the traditional product set, access, connectivity and so on, relatively stable. Is that right? And the bulk of the issues relate to NAS, network applications and services.

Previously, when you've talked about that, you've indicated an expectation of return to growth in that area. But I didn't really pick that up today, whether you expect that to happen. My question is whether there's a recognition of a major structural change that's going on in that E&G sector, where your larger clients now are able to buy a kit directly themselves, buy a product, Brendon's products if you like, and do a lot of that network stuff themselves. Is that a structural change that we're seeing that you now recognise?

And I guess extending from that is could that change then start to impact the wider business services? They may lack scale themselves, but there are plenty of intermediaries that are able to pull that together. And when I look at what's happening with unified comms, huge growth area with a lot of different companies contesting that. Are we going to see what's happening in enterprise and government happen more widely across particularly the fixed line sector?

Vicki Brady: OK, thanks, Ian. Let me have a go and make sure – there's quite a few parts to that. So just to clarify the comments we made on Enterprise today: so on data and connectivity and calling, those trends are broadly in line with what we expected. And we spoke about at full year results, data and connectivity and calling continue to decline. So what we said today is reinforcing it's in line with our expectation. What has changed is we now don't expect NAS to grow revenue and EBITDA in FY24 whereas in August, we had anticipated that, and that's due to really a bit of a pullback in professional services activity that we're seeing. So I hope that helps just clarify on the –

Michael Ackland: So just on NAS, calling is in NAS.

Vicki Brady: Yes.

Michael Ackland: DAC isn't. But calling is in NAS as is professional and managed services. Calling is declining in line with our expectation. NAS, the rest of NAS, sorry, the professional and managed services is underperforming our expectation and the net result is overall NAS not growing.

Ian Martin: Do you expect that that's just a current year effect or are you seeing something that's going to continue on?

Vicki Brady: It's probably a little bit too early to say, I'd say, Ian, at the moment. So that's – I mean, we're not giving guidance beyond 2024. So in 2024, that's what we're seeing and what we expect.

Ian Martin: The point is, there is a structural change that's going on there, that's going to have a long term impact, isn't there?

Vicki Brady: Yes, so just in terms of the structural change that you refer to, I mean, we've been seeing for many years now some changes, whether it's technology changes with SD-WAN, whether it be, yes, some customers choosing to bring in-house some of those capabilities you talk about. But when you refer to Brendon's business and some of those things that he spoke about, it's not a huge number of Enterprise customers that are looking at things like, for example, dark fibre. Because obviously once you go down that path, you need fairly heavy expertise internally to be able to manage and run those networks.

So in some limited circumstances, you might see some customers do that, some remote mines, various things. But what we are seeing is, as we talked about, as customers look at how they're thinking about their connectivity and their digital transformation, those conversations go much more into how do they do the migration to the cloud? As they make those changes in their business from a technology point of view, how do they ensure they've got the security sitting around those services? So we've been seeing those trends for a little while.

I don't think we've seen any big step change in terms of customers wanting to, for example, as an Enterprise, buy dark fibre and run their own electronics. We've seen some who've worked with other providers who bring all of the pieces together. But again, I don't see a really significant change from the trends we've been seeing for a little while now.

Ian Martin: And the possibility of intermediaries being able to, in a sense, disintermediate telcos and Telstra in that wider business market not a big factor at this point?

Vicki Brady: In terms of the wider business market, I think once you get to the medium and small end, I think for those customers, what they're looking for is actually a trusted partner that can provide a lot of those services. As you'd expect, a lot of those businesses don't have the time, nor have they got the capabilities to be able to go after some of those more sophisticated solutions. They're looking for them to be provided on a managed service basis. So we definitely see opportunity there. That's why we've created Telstra Business and we see really a real opportunity to unlock that. But that's much more a managed service approach to those customers.

Ian Martin: OK, thanks.

Nathan Burley: Thanks, Ian. Fraser, MST.

Fraser McLeish: Thanks. Yes, just one. So with the full monetisation of InfraCo Fixed off the table, just wondering if there's any thoughts on revisiting the option to maybe monetise those NBN cashflows where a lot of the value is, and maybe they're not as strategic as the assets like you looked at with the securitisation proposal a few years ago?

Vicki Brady: Thanks, Fraser. I know it's a question that often gets asked, and obviously they're very significant cashflows for us. They're a very important part of the overall cashflow of the business. And again, to be clear, if we did want to go down the path and do that, that does require NBN consent. Again, just to be clear, we don't have the right unilaterally to do that.

At the moment, we see them as a core part, as I said, of InfraCo Fixed and we've talked more broadly about the capital management framework where we have, obviously, as part of that, a focus on ensuring we can seek to maximise and grow our fully franked dividends. And so those recurring payments are obviously a core part of our overall earnings.

Nathan Burley: Thanks, Fraser. I'll check if there's any more questions in the room. Welcome back to the microphone, Entcho.

Entcho Raykovski: I'm conscious of the announcement yesterday by TPG that they're no longer pursuing the Vocus deal. Is there any appetite for you to re-examine a network-sharing arrangement with them? And I guess, politically, is it a better environment post the Optus outage? I mean, is there a way to play this and say, "You know what, if you want resiliency, network resiliency, ability to invest, better coverage, you need network sharing and improved returns."? So do you think anything has changed and is there much appetite to pursue that deal?

Vicki Brady: So the first thing I'd say, Entcho, is obviously we put forward the network sharing, the MOCN deal with TPG. It obviously didn't get approved. But we do believe that commercial sharing arrangements, particularly for regional Australia, we think they are needed in the country when you think about the reliance on mobile networks, the investment that needs to go into regional areas. So I think we demonstrated we're open to innovative ways to come up with commercial sharing solutions.

It's less than a week since the outage last week. I'm sure like other players in the market, we're very keen to make sure any learnings out of that are picked up across the industry. And as the Government has spoken too, there's a number of reviews underway. But again, I would just reinforce, I think commercial based sharing, particularly in regional Australia, or mobile infrastructure, we think as we look over the longer run, would be a net positive.

Entcho Raykovski: And maybe just a very final one on satellite to handset: I think you mentioned that you were going to offer a product in market. Are you able to say who your partner is?

Vicki Brady: We're not able to at this point, no.

Entcho Raykovski: OK, and do you know if Starlink is exclusive to Optus?

Vicki Brady: I think those terms are, I would expect, commercially confidential. So I'm unsure.

Entcho Raykovski: OK, all right. Thanks.

Nathan Burley: Thanks, Entcho. We'll come back over here, for Darren from Macquarie again.

Darren Leung: Thanks, Nathan. I just had a very quick one in terms of the Enterprise guidance again, please. There's obviously the Versent acquisition, which is obviously not in the numbers today. But I'm keen to understand does your guidance comment include that acquisition or was it excluded all together?

Vicki Brady: No, it doesn't include. So Versent obviously is a proposed acquisition. It's not complete. We issue guidance without that, and our comments today are excluding Versent.

Darren Leung: I understand. Thank you.

Nathan Burley: OK, we have no more questions. So we'll shortly move to the foyer. There is some demos which Brendon mentioned, which I'd invite you to take the opportunity to see. There's also some other of our key management here in the room, including Brad Whitcomb who runs our consumer business, Kim Krogh Andersen, and our Head of Products, David Burns, who runs our Enterprise business, and Roary. Roary is at the back who runs Telstra

International. So if you –

Vicki Brady: And Amanda.

Nathan Burley: And Amanda Hutton who runs our Telstra Business is also here. So Vicki, do you have any final comments before we close?

Vicki Brady: No, just a final thank you, Nathan, again, to everyone who's joined us in the room or joining virtually. We do appreciate you making the time today, and as we said right through the presentation, we're very pleased and on track with our T25 ambitions, and very confident that the choices we're making today also set us up for that long term sustainable growth. So thanks again for joining us.

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