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ELECTRONIC LODGEMENT

Dear Sir or Madam

T25 - Telstra Investor Day – briefing transcript

I attach a copy of the transcript from the briefing held yesterday in relation to Telstra's Investor Day, for release to the market.

Authorised for lodgement by:

Sue Laver
Company Secretary

Introduction

Nathan Burley: Good morning. Thank you for joining us. And welcome to this Telstra Investor Day to discuss further detail of our T25 strategy. I'm Nathan Burley, Head of Investor Relations.

Having broadcast most of our recent events from home, it's great to be able to join you from Telstra's Melbourne offices. These are located on the traditional lands of the Kulin Nation. Before we commence, Telstra would like to acknowledge the rich and diverse stories, cultures and traditions of all First Nations people across Country. After the Acknowledgement to Country video, you will hear from Telstra's CEO, Andy Penn.

[Acknowledgement to Country Video begins]

[Acknowledgement to Country Video ends]

Presentation from Andrew Penn

Andrew Penn: Well, thank you very much, Nathan, for hosting today, and I really enjoyed that warm Welcome to Country. And welcome everybody, and thank you for joining us.

The purpose of today is to deep dive into more aspects of our T25 strategy, which of course we announced in September. First you will hear from Nikos Katinakis, our Group Executive of Networks and IT, and Kim Krogh Andersen, our Group Executive of Product and Technology. Between them, they are responsible for the second pillar of our T25 strategy - leading network and technology solutions that deliver your future.

After we hear from Nikos and Kim, Oliver Camplin-Warner, who is joining us from Hong Kong, will take you through our international strategy, including the recently announced acquisition of Digicel Pacific. Mary Foley and Ben Burge will then take you through our new markets' businesses, Telstra Health and Telstra Energy. We've allowed a couple of slots for Q&A, and I've also asked Vicki to join us for those.

So that's the running order for today. But before handing over to Nikos and Kim, let me make a few introductory comments.

T25 is our new strategy to accelerate growth from our core, and to scale our new businesses. It's a strategy to further enhance customer experience, and to respond to the permanent shifts that we are seeing in how people work and live. It's a strategy to capitalise on the establishment of InfraCo, and the changes that we are making to our company to create a more contemporary structure for the future.

T25 is built on the foundation we have created through T22, which is why our immediate priority must be, and is, to finish the job on T22. It's so important for the success of T25, and it includes:

- Firstly, progressing our digitisation and customer migration to the new technology stack that we have built. This is really now starting to gain momentum, and we have more than three million services in this world. And the NPS from these customers is orders of magnitude greater than those from legacy.

- Secondly, completing the Group restructure to drive value from InfraCo, while preserving Telstra's core network differentiation. This remains on track, and you will have noted the introduction into Parliament of changes to legislation which are consistent with this.

- Thirdly, extending our 5G leadership, and consolidating our position as Australia's largest 5G network. Umlaut's 5G audit conducted earlier this year showed that Telstra had by far the widest availability in each of the nine tested cities, and led on 5G speeds averaged across those cities.

- Fourthly, restoring financial momentum in our Enterprise business, where we are on track to deliver overall growth in revenue and EBITDA this financial year.

- Fifthly, launching the new energy business. We have now received final approvals for licences in Queensland, New South Wales, and South Australia.

- Sixthly, integrating our recent health acquisitions, MedicalDirector and Power Health, to underpin our domestic and international expansion plans.

- Seven; growing services and building deeper relationships with our customers through Telstra Plus, where we have more than 3.8 million customers already signed up. Telstra Plus is an incredibly powerful platform for us to drive value and reward loyalty for our customers.

- And finally, of course, delivering on our net cost productivity target of $2.7 billion by the end of this financial year.

Since we launched T25 in September, we've also made several major announcements that I wanted to touch on briefly. Firstly, of course, Digicel Pacific. We are progressing well in our partnership with the Australian Government in completing the purchase of Digicel Pacific. You will hear more about the acquisition today from Oliver. But we're on track to complete the transaction following regulatory approvals in the first quarter of 2022.

We've also recently announced a major deal with the Australian Department of Defence to deliver critical network and telecommunications services. It's a five year $1 billion plus contract. And yesterday, you will have seen our announcement to partner with Quantium to apply their groundbreaking data science and AI capabilities to Telstra's unique

customer, product and network data assets, as well as offering AI services to our Enterprise customers.

With that, though, let me now turn to T25.

While T22 was a strategy of necessity, T25 is a strategy for growth. Like T22, T25 is built around four key strategic pillars.

Firstly, to provide an exceptional customer experience that you can count on. Nothing is more important and this sits at the very heart of our T25 strategy, by leveraging the capabilities that we have built through T22.

The second pillar is to provide the leading network and technology solutions that deliver your future. Telstra has always been at the forefront of telecommunications technology, not just in Australia, but globally. And you're going to hear from Kim and Nikos about how we're going to continue to be so.

The third pillar is to create sustained growth in value for our shareholders. As we move forward from a period of the transition to the NBN, and out from underneath that economic headwind, the significant interventions that we have made in turning around our business and taking out cost, are now starting to flow through to our bottom line.

The fourth and final pillar is to be the place you want to work. Competing for the best talent in the future is going to rely on more than just the basics. In the new post-COVID world, we need to excel at flexible and hybrid ways of working. We need to accelerate our digital leadership, and we need to be doing business responsibly as a leader.

T25 is a strategy created to deliver the things that we know will sharpen our competitive edge, because they respond to the trends that are shaping our market, and the evolving needs of our customers. And as I said in September, we will deliver T25 through our five key businesses; Consumer and Small Business, Enterprise, New Markets, International, and Infrastructure. And of course, each of these has its own ambition reflecting the place it is at, and the opportunities that lie ahead.

We of course covered Consumer and Small Business, Enterprise and Infrastructure in detail in September. So today we will focus on New Markets and International. And for our New Markets, our ambition is very simple. It is to grow our Health and Energy businesses profitably to scale.

We're very excited by the opportunities for these businesses, and their strategic direction. But we also know we need to increase their economic significance to the value of Telstra. And you're going to hear from Ben and Mary, who are two very experienced leaders in these respective fields, on this today.

For International, our ambition is to deliver profitable growth and value, by leveraging the growing strategic significance of our international

network. There is no doubt, with rapid digital adoption the importance of our international assets has taken on a whole new complexion.

Before I hand over to Nikos and Kim, though, I just want to make a couple of comments on digital leadership. Because as we become more of a technology-led company, and as we build new capabilities in new areas, such as software development, data analytics, and artificial intelligence, we need to increase our attractiveness as the place to work for this talent.

There are four key elements to our approach to digital leadership. Firstly, we will lead with a digital first and data driven mindset. By 2025 we will have 100% of our key business processes enhanced by AI. We already have more than 100 data scientists at Telstra, and we have built a major data sharing platform in partnership with Microsoft, the Telstra Data Hub. Yesterday's announcement with Quantium is another great example of the sort of initiatives we are implementing to drive this change.

Secondly, is our approach to digital infrastructure, which will be cloud-based, with a decoupled architecture, using APIs. APIs, or application programming interfaces, are essentially software interfaces that allow two applications to speak to each other. By architecting your technology with APIs, it adds value to the core technology platform, because it widens the base of developers that can add services on top of it. It also increases speed to market with new products and services, and improves efficiency. We expect to have 100% of key business applications using API first architecture, and 90% of applications on public cloud infrastructure by 2025.

Thirdly, we will embed digital ways of working such as expanding our use of BizDevOps, and continue to build our digital skills in software and data. In conjunction with what we're doing with our approach to architecture and APIs, this increases the velocity with which we can deliver new technology.

And finally, by delivering an outstanding developer experience and through digital partnerships, you can make it easier and more attractive for developers to enhance your core services, with their own value add-ons.

These principles of digital leadership are already implicit in the way in which we approach technology today. However, through T25, we are making them explicit, and setting targets to accelerate our journey to become a truly technology-led company.

I hope that helps set the scene for today's discussion, and gives you a sense of our immediate priorities, as well as our longer term ambitions. We are looking forward to the future with a great sense of confidence in our ability to deliver our strategic ambitions, and importantly, return Telstra to growth. And as with T22, how we do things will be as important as what we do, which is why our approach to digital leadership is so important.

Thank you. And with that, and before you hear from Nikos, we have a

short video to share.

[Video playing]

[Video ends]

Presentation from Nikos Katinakis

Nikos Katinakis: Good morning, and welcome to Telstra's second Investor Day. Thank you for joining me as I walk you through the following:

- major global trends that are shaping our technology strategy;
- key initiatives that allow us to maintain our network leadership and differentiation;
- how we're integrating data, AI and customer experience;
- our position on security and resilience; and,
- finally, how it all comes together for what you care about the most, how we're going to monetise all the capability.

After that, I'll introduce Kim to take you through our product and monetisation strategy.

There are 10 key trends that had a major impact on our thinking, as we formulated our technology strategy for T25.

Number one; RAN virtualisation, whether it's ORAN or VRAN, this is something that will definitely shape the industry in the future, and we see Telstra entering the arena in this timeframe.

Satellites and networks in the sky will definitely play a significant role. We announced that we will have products in 2023, and we already use satellites for backhaul, broadcasting and remote small cells, but we will extend their use in this timeframe significantly.

Everything is moving to the cloud, both public and private cloud, and those clouds are moving to the edge, where the consumption is really taking place. Customer networks are being established, either dedicated, private, or on a 5G slice.

All the deployed technology needs to be more energy efficient, as we drive to meet our sustainability targets for 2025 and 2030. Expect to see a lot of innovation in this area globally and locally. It is this innovation that will help us achieve our targets of absolute emissions reductions by at least 50% by 2030.

You won't be surprised by anything I cover next. Digital experiences have become foundational for supporting customers, suppliers and employees. Hybrid working environments have changed the connectivity demands from the office to that of the home. Solutions cannot be delivered in isolation. We see ecosystems of capabilities and partners coming up together to deliver and serve our customers.

Everything needs to be done on the most secure networks, and by the best applications. Our identities, and the identities of everything we use, are becoming digitised, and data ownership is slowly reverting back to the user, including national data sovereignty.

Finally, automation, data, artificial intelligence, and machine learning, are key elements to make these experiences and technology capability happen faster and more cost efficiently than before.

Let me make these trends relevant, by explaining how they are used to keep Telstra at the forefront of technology innovation, and clearly ahead of the competition.

Our leading networks and technology solutions. You have seen this page a few times by now, including during the first Investor Day where Andy walked us through the key themes. This is the second pillar in our T25 strategy, and it has three key strategies that will continue to allow us to differentiate and maintain our leadership.

Number one. We will absolutely continue to have the best mobile network in Australia. And even though we will not talk explicitly about our fixed network today, a key part of our strategy is to also provide the best wireline experience to our customers.

Number two. Our differentiation will be supported by several key technology enablers, that will power our customer solutions and offerings. The hexagons that you see cover these capabilities, and I will go into more detail for a few of them later. This is all the cool techy stuff that excites me.

Finally, number three; resilience. This will be a key differentiator that our local competition will not be able to match easily, and will also allow us to lead globally. Resilience covers our cyber position, our ongoing investment into the network evolution, so that the services our customers pay for continue to work, and everything we're doing to ensure the platforms and applications that our customers and employees use to interact with Telstra are also up and running. I will cover all three of these areas, in the following pages, and I'll come back and close off with how we're enabling our customers.

We all know we have the largest and densest 4G and 5G network in Australia. 5G coverage was at 75% of the population at the end of June, which is more than double our nearest competitor. And we plan to be at 95% population coverage by the end of FY25. In regional Australia, we have announced almost half a billion dollars of additional investment in our networks to ensure we maintain our competitive advantage, but also improve connectivity for regional customers.

We have also announced the expansion of regional coverage by 100,000 square kilometres by the end of FY25. This additional 100,000 square

kilometres will be bigger in area than half the official countries in the world, occupying the 107th spot. Just to pick on my colleague Kim, the expanded area would be equivalent to two and a half times that of Denmark, where he comes from!

By the way, this expansion, together with our ongoing 4G coverage rollout to match 3G, also enhances our IoT coverage. So let me share some rough numbers with you.

Our LTE coverage, or 4G coverage, will go from around 2 million square kilometres to about 2.6 to 2.7 million square kilometres. Our CAT M1 network, one of the IoT networks, will go from around 3 million to about 4 million square kilometres. And our narrowband IoT network will go from about 4 million to somewhere between 5 and 5.5 million square kilometres. These are rough numbers. And I'm giving you ranges as we will only validate them when we know exactly where the sites are placed, and we have actually measured the coverage.

But these are huge [numbers], not only for Australia, but for anywhere around the globe. Our 4G coverage alone is more than the entire area of the tenth largest country. And our IoT network coverage would be equivalent in area to covering 100% of India, plus more.

While we continue to roll out 5G, our customers will use both 4G and 5G as they move around, which is why the combined average speeds are the most important metric for us. And on this measure, Telstra's network outperforms all our competitors for both download and upload, making us one of the best networks globally.

As an example, in the most recent Umlaut mobile network benchmark survey, we won for not only "best in test", but we also won best in all three performance categories, including data, voice, and crowd sourced quality. Needless to say, being the best performing network in combined 4G and 5G speeds is a target that we will do our best to maintain.

Let me jump now to the quality of the coverage, as we don't need to have just a thin layer of 5G in order to claim we have deployed 5G. We are doubling the number of sites in our cities by using macro sites, small cells and repeaters. The increased density allows for much better coverage, addressing inconsistencies in the cities, and allowing us to introduce new services such as fixed wireless using mmWave.

And just a quick reminder on mmWave; we acquired 1 Ghz of spectrum at 26 Ghz. We have launched several sites in Sydney and Melbourne, over now 75 and counting, in such iconic locations as in Chinatown in Sydney, the QVB at York Street, Darling Harbour, the MCG, Marvel Stadium, Docklands and Flinders Lane. Additionally, we have the first mobile handset that supports mmWave. That's the Pixel 6 from Google. And we have seen tremendous speeds, hitting over 4 gigabits per second.

So let me summarise our deployment plan, which is something that's

already ongoing. In remote areas we will have low band 5G; in most of regional areas we will have two bands; low and mid band. And in suburban and urban environments, we will have three bands; low, mid and mmWave. This density is what will continue making the Telstra network a real standout in the country, and what is different from other announcements that you see from our competition.

These initiatives are also key to maintaining our cost competitiveness. We're overlaying 4G to 3G, which will be shut down in 2024. The technology we use for the 3G replacement also allows us to repurpose it for 5G, when the time comes, making it a very cost efficient transition. And while 5G is up to 10 times faster than 4G, it is also significantly more efficient in delivering a bit of data to its destination.

With our data consumption growing by 25 to 40% every year, we simply cannot afford to grow our cost by that amount each year. Instead, by using newer technologies like 5G to absorb the growth, and lower our cost base, along with shutting down older, less efficient technologies, we will remain cost efficient.

On devices, we have over two million 5G devices on the network already, which is a significant step toward achieving our target of 80% of mobile traffic on 5G by 2025. As I just explained, this makes us quite cost efficient, and allows us to stop investing in 4G, while maintaining a great experience with the existing 4G network, for many years to come.

Let me close this part by saying a few words on how wireless and wireline come together.

The Telstra Smart Modem with 4G backup is now in approximately 2.3 million homes, and it has been key to keeping customers connected when working and studying from home. Connecting to 4G is something that the customer doesn't even know is happening, giving them a perception of uninterrupted NBN service when they use Telstra, even when it isn't.

Fixed wireless access is another example where we're deploying an alternative for customers that just can't get a good experience with their fixed network connection. Either they're stuck using copper, or they're in a super long loop of coax cable, ending up with 12 to 25 to 50 megabits per second. For those customers, there is an alternative, and we have started offering that alternative.

So let me now answer a question that I know you have. Is 5G fixed wireless, a replacement for NBN? The answer to that is no. The average consumption of a fixed customer is now in the 350[1] gigabyte range a month, mostly between 8:00 and 10:00 pm. The average wireless customer is in the 15 to 18 gigabits per month range. And it is spread almost across a 14 hour window, with two peaks; 8:00 to 9:00 am, and 4:00 to 6:00 pm.

[1] Verbatim "300 gigabyte"

Putting 25 times more demand onto the network is just not feasible at this point. But it is definitely feasible to offer a fixed wireless access service to the subset of our customers that just don't get a good enough fixed broadband service.

This is the capabilities page. It covers all the cool stuff we're setting up underneath, to enable not only what I have been talking about, but also what we covered in our presentation for our Consumer and Enterprise segments, and how we're approaching digital leadership in our fourth strategic pillar. I am not going to cover all the blocks, but the ones I think will give you the most insights.

Let me start with how our services are starting to become access agnostic. At home, your Smart Telstra Gateway may be connected to NBN, or a wireless network, to a fixed wireless access, to satellite or to Telstra broadband. It now matters less what the technology in the background is, because what really matters is that the user ends up with very similar services.

I also want to take a moment to talk about satellites. Andy announced that we will launch a service in 2023, but we are already using satellites for backhaul for macro sites, and for special satellite enabled small cells that we deploy in remote areas. Having another option in our toolkit, will also allow us to better serve the 8% of the population that today has very limited options for broadband at home.

I'm not going to cover Secure and Private. It's pretty foundational these days, and covers spam, phishing attacks, and the complicated technology that we use to protect ourselves and our customers from criminals and other entities.

Automated and AI enabled. We have been embedding AI capability in many of our workflows for a few years now. That pace is going to accelerate in the next few years. With over 25 million SIOs across different services, in addition to millions of network and IT elements – yes, I did say millions – we have been cleaning up all of our customer and technology data. This clean data is what enables us to apply artificial intelligence for insights across our business, and to apply AI to automate tasks and workflows in the way we run our networks, our technology platforms, and our applications.

We also announced that 90% of our applications will move to the cloud. This is an ambitious approach, and it changes the way we'll run our IT applications. This conversion includes moving, shutting, or containing the old applications that live on old hardware or operating systems. By moving applications to the cloud, and then the cloud to the edge, we enable what is called edge computing.

Any business that needs low latency or high resiliency will want their applications to be at the edge. Let me give you a quick example of how low latency works, and how it would work in an airport.

Let's say that the Darwin Airport is using face recognition to do their security scanning. Today, every face picture that would be scanned would go to Sydney or Melbourne, get validated against the database, and then a result is returned. This is both slow and costly, as a lot of data moves back and forth. Multiply this across all the airports, and you start seeing the bottleneck.

Our first introduction of this capability was announced at Vantage - the infrastructure-free branch office. What does that mean? It means that every branch office, kiosk or similar that today needs wi-fi, switches, cables and servers just to make the local computers or point of sale machines work, can now use 5G over SD-WAN, without anything else. The rest of the infrastructure can be removed to the edge, making the whole operation efficient and cost effective.

This capability, SD-WAN over NBN, or Telstra fibre, or SD-WAN over 5G, allows us to put other applications on top without any other connection. Video cameras that track footfall, or quality cameras that validate the production line at the factory, and many other such applications. And that's where it gets exciting.

I only want to say a few words on the Distributed Architecture, and the Orchestrated Network and IT systems, as I'll cover them in the next chart on resiliency.

Orchestration is a very difficult concept to explain, but a very important one for us. This is how we automate the behavior of our systems when something happens. Whether it's a request for more bandwidth from an application, or an incident like a fibre cut, or a platform or a server failure, this is how we fix it.

I'll now show a video that sums up the possibilities of 5G and edge computing.

[Video playing]

Female: Back when we only shared photos and emails, mobile towers met our needs, and speed wasn't something we worried too much about. Now our needs are changing, and with it comes an evolution in the tech that connects us. Today, more and more devices need to stay connected, and where that info is processed is more important than ever.

Enter edge compute. It basically means placing apps closer to the user. By combining it with 5G, we can deliver speed, security and resiliency, that future tech demands. Low latency and faster response times from edge-enabled apps create real time processing and communication, for extended reality services. Edge computing over 5G can process and prioritise data, to deliver enhanced insights in real time. It can help businesses to free up space by virtualising their physical assets, and run superfast cloud-based apps with branch off load.

From vehicles to street signs, 5G and edge compute will connect essential apps and services to make traffic management, emergency deployment and city planning more efficient. It can also detect problems earlier, automate more precisely, optimise more efficiently, and manage supply chains more consistently, all in real time.

Edge computing untethers gamers from traditional consoles by connecting them to a network with uncompromising connectivity and less lag. And this is only the beginning. Edge compute will unlock new ways for businesses to adapt to a swiftly changing world.

[Video ends]

Nikos Katinakis: Finally, this page comes to life for our customers. By having a better understanding of who they are, by further automating how we offer them services, including typical connectivity services, by enabling and enhancing their experiences with AI, and providing digital alternatives to having to call someone, we will be able to continue to tailor the experience that the customer has when they interact with Telstra.

When you, our customer, log in to order a new service or change your current one, or when a techie shows up at your place, they will be able to do a lot more than today, and help resolve as many things as possible. This is the Telstra of tomorrow, and this is something that very few companies around the globe are setting up to do. As Michael and David said in the previous Investor Day, when it comes to our customers, "first time right, second time perfect" is our target.

This is the third component of our second T25 strategic pillar, and part of our strategy to continue our differentiation. Just a quick reminder. The first one was the best and largest 5G network. The second one were the enablers that are setting up a variety of capabilities for us, and many of them pretty unique. And the third one, resiliency, which covers security, identity and related topics, as well as the uptime of the network.

In the previous page, I skipped some of the enabling capabilities and how they come together. By having a distributed network architecture, we will be splitting up some of our key network functions and placing them around the country. As they are already on a private cloud, we will also be moving more of the cloud to the edge. In other words, in locations that are not in Melbourne or Sydney. This will create smaller blast zones when something happens.

Using combinations of satellite, fibre and wireless backhaul, we are striving to provide connectivity alternatives. We still need the power grid to work, of course, but we're addressing more and more of the issues that emerge in natural disasters. Let me give you an idea of how all of this is going to be working, by using the example of a mining company.

As you know, mining companies are automating everything; the trucks,

the loaders, the excavators are all either remote controlled or driverless. Imagine a mine pit that's several kilometres long. If someone is driving the truck from the surface, you don't want any delay to the command "turn left" to the truck to take several seconds just to reach 15 kilometres away. You want it to be quick. Otherwise, the truck may hit the post, a wall, or anything else that is down there. What you need is low latency.

And if there is a network incident, let's say the fibre gets cut because the farmer digs a hole, you don't want the mine to stop operating. So what we have now are options; a private wireless network that is also backed up by satellite, or the macro network. If the mine gets isolated, the edge compute capabilities provide both low latency for the applications, but also the ability to continue operating if the mine is isolated, since that network is available within the mine. The only thing missing is data synchronisation with a head office. But that can take place when everything is restored.

And because incidents and downtime are unavoidable, we're also adding AI and predictive analytics to try and prevent outages. Having smaller impact or blast zones, implies that fewer people will feel the loss of service, and the AI will help us troubleshoot and restore the service more quickly. Finally, the automation and orchestration will help us move things around, so that we can avoid the impact altogether.

Let me now state the obvious. There is no digital economy without network connectivity. There are no applications, no banking, no deliveries. Most things stop. Resiliency then becomes one of the most important attributes of connectivity. However, this is also an attribute we at Telstra can differentiate on, and one that we can monetise. I'm a strong believer in that. And over the next few years, we will drive a lot of innovation in this space.

The last page is better on Telstra. Let us get ready now for the transition to Kim by going back to the part I skipped. How are we leveraging all the technology capabilities in order to serve our customers with services that are perfect for them? We're addressing a range of vertical solutions by putting the network, the cloud and the applications, where they are needed. That can be at the customer edge, for example in farming or a mine; in our own exchange spaces, where we have network hop off points for retail, or anyone that has branch offices or small stores, and in our data centres for logistics and supply chain applications.

By putting these solutions together with our partners, and those include companies like Microsoft, Amazon and Google, technology suppliers like Ericsson and Cisco, and integrators like Accenture and Infosys, we can address the majority of the verticals that can benefit from what we bring to the table.

With that, let me close by saying that we're building an exciting future through T25, and acknowledge again the progress we have made with T22, by setting the foundation for everything I spoke of today.

Thank you again for joining. And I'm going to pass over to Kim for a product and services strategy. Kim.

Presentation from Kim Krogh Andersen

Kim Krogh Andersen: Thanks, Nikos. Hello, everyone. I'm super excited to be with you all today, to talk through our product and technology strategy under T25.

Back in 2018, when we embarked on our T22 strategy, we could not foresee that COVID would change our lives and accelerate digital transformation to the degree we see today. Still we imagined that we needed to simplify our products and solutions, transform our IT infrastructure and build unmatched 5G and fibre connectivity, to be successful in a digital future.

Fortunately, that work, and T22 more broadly, gave us a foundation that helped us through the pandemic, and at the same time set us up to perform and compete strongly in the market. Post-COVID, we expect digitisation only to accelerate. This is why our continued leadership in technologies like 5G, edge compute, IoT and AI, places us in a prime position to deliver on our customers' evolving needs.

Our goal through T25 is to deliver sustainable growth, and generate new value, by enhancing our customer experience and improve product economics, while building a balanced value portfolio. Our T25 product and technology strategy has four building blocks.

First, we will deliver mobility growth through superior 5G connectivity, and advanced 5G use cases.

Second, we will deliver growth in our fixed Consumer and Small Business, by evolving our vision for the connected home, and accelerate managed services for small businesses.

Third, we will grow our Enterprise fixed business to adaptive connectivity, industry solutions, and managed and professional services.

Finally, our plan is underpinned by our strategic partnerships and ecosystems that we will leverage to deliver best in class products and solutions to our customers.

I will touch on each of these building blocks as I step through the presentation. But before I do that, I want to briefly cover how we will build a balanced portfolio, ensure sustainability by design in our products, and why we are super excited about the opportunity to partner with Quantium, which we announced yesterday.

Going forward, we want to keep growing our core connectivity business, but at the same time build diversity into the mix to establish greater resiliency, and accelerate growth. In the past, telcos, including Telstra, have seen our superior networks granting us the right to win in software

services and new adjacencies.

I see it differently. I believe best in class software and services are the best way to protect and grow our core connectivity business. We will do that by increasing the number of solutions that are not purely connectivity based, such as managed and professional services, industry solutions, and new businesses, like Health and Energy.

We will also deploy an API-first architecture, that allows us to expose our core products into new ecosystems, and to strategic partners. This will create new value that we have not previously tapped into, and at the same time protect us from technology disruption.

Now to sustainability. We have a strong ambition to reduce our impact on the environment, and that extends to our products and services. Sustainability is factored in by design, not only to deliver on our ambition, but because it's the right thing to do, and what our customers expect from us. It informs the materials we use to make our products, the way we package and transport them, the amount of energy they use, and the partners we work with to create them.

An example; our latest smart wi-fi booster was built with a housing made of 95% recycled plastic, and shipped to our customers in a box made of renewable and recycled materials.

Finally, our proposed partnership with Quantium. As Andy mentioned, yesterday we announced our plans to establish a new joint venture with Quantium, Australia's leading data science business. The venture will look to unlock the full potential of data and AI for Telstra and our customers. It will be a cornerstone of our digital leadership ambition under T25, and help us accelerate the adoption of AI both internally and externally.

Our initial focus is to help our largest Enterprise customers to unlock the potential of data and AI, and accelerate our Telstra Plus ecosystem. We are incredibly excited about this new venture, and the opportunity it provides to our customers and our business.

Now let me take you to our building blocks, starting with mobility.

Mobile connectivity has never been more important to our customers when they are on the go. Superior connectivity combined with our initial monetisation of 5G via higher plan mix is by far our biggest value pool, and the biggest foundational driver for the growth we saw in second half last financial year, and which we expect to continue this financial year.

As Nikos outlined, our 5G network reaches more than 75% of the population, with 2.1 million connected devices, and we have plans to achieve 95% population coverage by FY25. Coverage, speed, capacity, combined with production efficiency, has been a super important initial benefit of 5G.

The next phase of our 5G monetisation journey starts with our standalone 5G network, together with mmWave, which enables us to unlock experience-based propositions. These services provide customers with performance not previously possible when accessing the mobile networks. This gives our customers the freedom to work where it suits them, without concerning about whether the connectivity will be up for the task. This could apply to a journalist in the field, who needs to upload or download 4 or 8K video files stored in the cloud, or a doctor that needs to access a patient's ultra-high resolution scans.

When 5G is combined with Edge compute, we bring the content closer to our customers, and we can unlock new work experiences powered by AR and VR. Think of bringing our remote experts to virtually assist with repairs of a highly specialised piece of production equipment. These types of experiences demand ultra-low latency of sub-10 milliseconds, and high bandwidth connectivity to deliver an experience that feels natural, and does not leave the person wearing the smart glasses feeling motion sick.

Edge compute means that high resolution images can be rendered much closer to the end user and transferred directly to the smart glasses over 5G.

These emerging use cases combined with maturing smart devices will enable us to keep the premium plan mix, stimulate multi-product holdings, and sell new add-ons, which is a core part of our future 5G monetisation.

To give you an example, today, we have more than 360,000 smartwatches connected to our mobile network and we are seeing this number increasing every single day. We expect to see significant acceleration of smart glasses, watches and headphones in the coming years.

Telstra's network leadership is unmatched. This combined with network optimised products, advanced 5G use cases, and a leading range of smart devices, gives us the confidence that we will deliver mobile service revenue growth, as outlined in our T25 scorecard.

COVID has changed the way we use our homes forever. For many work is no longer a place you go, but rather something you do. We all want peace of mind knowing that we can learn, work and stay entertained without disruption. As we look ahead, we see the role of our Telstra Smart Modem platform as the brain of the home. With 2.3 million Smart Modems in the market today, we have a great foundation to build on.

Reliability is just so critical when we use our homes as we have done during the pandemic. And to be honest, not all our fixed customers had the experience we believe they deserve, during these difficult times.

With less than 100,000 homes left to migrate to NBN, and lockdown easing, it is time to improve the home broadband experience for good. The Smart Modem's 4G backup, combined with our wall-to-wall wi-fi guarantee, was the first step. We also need to ensure we are access agnostic so we always find the most suitable network to serve our customers. For

some, it will be 5G, for others it will be NBN and in the future, we expect satellite to be a good alternative as well.

We already see our 5G home broadband offering being a game changer for customers with poor NBN connectivity. In addition, we have just launched a new feature in our Smart Modem, that allows us to automatically identify and address connectivity issues using AI. We call it Smart Fix, and I would like to play a short video to show you how it works.

[Video playing]

Female: The only thing better than helping a customer with a problem, is finding a solution before they even know they had one. That's why we made Smart Fix, exclusively for our customers. If a Telstra Modem notices an outage, it swaps to our 4G backup service, and then works to try to fix the issue. Here's how it does it.

You know the drill, videos start buffering, lights start blinking, and by now you know there's something wrong with your service. Where Smart Fix can resolve an issue, customers won't have to phone a technician, or even wait on hold. In fact, they might not even notice there's a problem at all, because our 4G backup service has already kicked in.

With the help of AI. Our Smart Modems are on the lookout, while you browse the web, to spot faults before they become a problem. If we notice something, we will remote test it to try and find the best solution without having to knock on anyone's door. All by using the Telstra and NBN networks. We can even reset Smart Modems remotely, and soon we'll be trialing proactive technician bookings. When a fault requires some extra help, customers will just need to let us know when suits, and we'll send someone out, while we'll keep you up to date at every step.

Smart fix is one of the ways we simplify the customer experience and we're only getting started.

[Video ends]

Kim Krogh Andersen: It's fascinating what AI and software can do, isn't it? We will scale this to all our customers over the coming months.

Beyond connectivity, we are looking at extending the Smart Modem platform into new areas, like securing our homes, enabling both virtual and physical security, from device, to data, to identity protection, and online parental controls.

The software in the Smart Modems also give us the opportunity to enable network optimised products, that prioritise and enhance specific experiences relevant to our customers. Some will optimise for work from home applications, like Microsoft Teams, others will optimise for gaming. Our Game Optimiser has already improved the multiplayer gaming experience significantly, and similar to mobile, this demand will only

increase with AR and VR enabled devices maturing in our homes.

Later today, Ben Burge will talk about how the Smart Modem will be central to how we will bring a new energy experience to our customers, and help them to be more energy efficient.

In entertainment, we will build on the success of Telstra TV, with more than 1.7 million devices in market, and our content partnerships with Foxtel and others to deliver the best aggregated personalised entertainment experience. When we combine Telstra TV, Foxtel from Telstra, and Xbox, Telstra is keeping more than 2.4 million Australian homes entertained.

All these experiences will be managed through My Telstra, and we will proactively communicate with our customers regarding product updates, product issues, product offerings, product safety, and it will all be enabled by AI.

So to summarise, the combination of the most advanced Smart Modem, best mobile backup, best 5G home broadband, best wall-to-wall wi-fi, network optimised experience, exclusive partnership with Foxtel and Xbox, extensive security protection, AI enabled Smart Fix, and soon energy, we truly believe we are better positioned than any other provider in the market to deliver exactly what the Australian homes need in the future.

As we look ahead to the needs of enterprises, it is clear now, more than ever before, that every business is a technology business. Our Enterprise customers are seeking more advanced solutions, that go well beyond connectivity. Every industry will be digitised in the coming years. It's a huge opportunity. Probably the biggest value pool emerging from 5G, IoT, edge and AI.

We see our opportunity to meet these evolving needs through four layers, each enabled by a range of products and supported by strategic partnerships. In some areas, like SD-WAN, our offering has not been market-leading in the past. But I'm pleased with the development we have seen in the last year. We now have award winning products and solutions in SD-WAN, hybrid cloud, security, IoT and managed services. This is exactly what we need to capture this opportunity, and become the trusted technology and service provider for our Enterprise customers, bringing both NAS and Connectivity back to profitable growth as outlined in our T25 scorecard.

The foundational layer for all customers and industries will continue to be our superior connectivity, which will include 5G, NBN, Telstra Fibre, satellite and private networks. In the future, this layer needs to support advanced low latency and ultra-reliable use cases. We will expose connectivity as a service with API-first architecture, that is used as a programmable interface into our own products and solutions, and in some instances, an interface directly to our customers.

To compete in a global marketplace, Australian companies need to improve efficiency, ensure safer operation, enhance quality and prediction, and operate more sustainable. We see that as a huge opportunity, and at the same time as our accountability as one of Australia's largest technology companies, to support this transformation.

That is why as a part of the second layer, we will engage into industry specific ecosystems, in collaboration with our strategic partners like Microsoft and Amazon, to provide customers with industry-specific applications, products and solutions, enabled by technologies like edge, IoT, video analytics, AI, AR/VR, digital twins, and unified communication.

These ultra-reliable solutions and the increased level of advanced technology will create the need for support to manage customers' connectivity, security, cloud, edge, and IoT solutions, which we intend to offer through our Digital Managed Service platform, which we see as the third layer.

To bring it all to life for our customers, and to execute and deliver on this digital transformation, our fourth layer leverages the muscle of the largest Australian owned technology services business, Telstra Purple. Our suite of professional service capabilities, combined with deep vertical industry expertise, is exactly what is needed to help our customers with their short, medium and long term needs.

I would now like to talk to you more detail about our ambition to establish this new ecosystem enabled by APIs to serve the developer community. You can think of an API as a reusable software connector, that allows two applications to talk to each other. When you log into a new app with your Facebook ID, you're using an API. When you're checking out with Apple Pay in a mobile app, you're using an API; or when you search to find a movie across dozens of services on Telstra TV, you are using an API.

APIs make the process of building new experiences in software much faster for developers, because the APIs can be reused for different applications, and are entirely self-served. They form an integral part of how we are transforming Telstra to be a decoupled platform business, enabling us and the developer community to access our network, IT and data asset programmatically.

Our investment into APIs will benefit our customers, and Telstra, in three ways.

Firstly, enhancing our internal product development by making reusable APIs available throughout the organisation, to avoid touching the core network, and IT functionalities when we want to update or build new products. This will enable us to halve the time to market, and significantly improve efficiency.

Second, we will enable the developer community to access a suite of

Telstra APIs in a self-service model, via our own Telstra developer portal, as well as via API marketplaces, on Amazon Web Services, and Microsoft Azure platforms. This makes it possible for app developers to consume and integrate Telstra network IT and data assets into their apps, without needing to build from scratch, or enter into a deeper partnership with us.

For instance, using our messaging APIs, developers have integrated SMS functionality into their applications, and in one specific example, have sent over 100 million messages year to date via our network. This approach allows us to address new audience that we would otherwise not reach.

Thirdly, we will continue to foster our B2B industry relationships, and use API-first architecture to drive deeper functional integration with Enterprise customers and hyperscalers. As an example, enterprises could request a service, or check the status of their order directly via API, enabling their own automation, and therefore facilitating their own digital transformation.

Furthermore strategic partnerships can benefit from APIs. An example is our Connected Car API, that is being integrated by a luxury car manufacturer to bring mobile connectivity to the infotainment system in new cars. This experience will be entirely software defined, no need for a SIM card, or a new Telstra billing relationship for the car owners.

The platform model allows Telstra to capture value and scale at the speed of industry innovation, leveraging the same core assets into new business models, and new customer journeys, without needing to develop and maintain bespoke products and solutions.

I would now like to finish by bringing you back to our T25 scorecard. To recap, in T25 we will deliver sustainable growth and generate new value, by enhancing customer experience and improving product economics, while building a balanced value portfolio. And we will deliver this change in an API-first way, that will radically reduce our time to market, and increase efficiency.

The outcomes of this new product strategy will be reflected in several areas in our T25 scorecard, including leading customer experience, growth and digital leadership.

Thank you for your time today. I would now like to pass over to Oliver, to talk to you about our International business. Thank you.

Presentation from Oliver Camplin Warner

Oliver Camplin Warner: Thank you Kim, and good morning everyone. It's great to be with you today to talk about our International business. My name is Oliver Camplin-Warner, and I've been leading the Telstra International Team since 2018.

While Telstra heritage is proudly Australian, we also have a successful International business that has been operating for more than 70 years. And

we now operate across 31 countries and have about 1,500 people around the world. As a market-leading connectivity provider, we've made a number of significant strategic investments that differentiate us from our competitors. And last year, we delivered revenues of $1.5 billion, and EBITDA of $336 million.

Telstra International's FY25 ambition is to deliver profitable growth and value, by leveraging the growing strategic significance of our international network. We will achieve our ambition by executing across five key building blocks.

The three key areas of growth are firstly, to continue driving sustained growth in our Wholesale business. Secondly, to build new capabilities to expand our presence in the Enterprise market. And thirdly, to expand our capabilities and presence in new and emerging markets. Growth in these three areas will be underpinned by enhancing our operating model and continuing to digitise key customer interactions and business processes.

Before we dive into the business, let me share a bit more about the trends that we're seeing in the global market.

Demand for international bandwidth continues to almost double every two years, especially on intra-Asia and Trans-Pacific routes, which are forecast to grow at over 40% CAGR to 2026. As we've all experienced, this has only been further accelerated by the COVID-19 pandemic, as digital plays an increasing role in how we work and live.

And finally, given the dynamic geopolitical environment, we're also seeing a significant increase in data being transported through emerging hubs, like the Philippines, and Australia, as it becomes an increasingly critical geography to support these global shifts.

Telstra International is uniquely positioned to take advantage of these external market dynamics, as we have a very diverse, extensive global network, with a real concentration of cables across Asia and the Pacific.

This map highlights the key assets that will underpin our ambition to leverage the growing strategic significance of our international network.

If you were to lay out all these cables end to end, our network would be longer than 400,000 kilometres, and could circle the world almost 10 times. We have access to over 2,000 network points of presence, in more than 200 countries around the world. We carry over a third of the internet traffic in Asia, and we remain one of the most trusted partners to carry traffic between Asia and the US. This means that we play a critical role in keeping the global economy going and people connected.

Our assets provide customers with the right pathways, the right resiliency, the right local knowledge and technical expertise, to be the partner of choice.

As the demand for connectivity doubles every two years, we will be able to meet the surge in demand for data from our customers, through the investments that we have made in our extensive global networks.

The value of our network is routinely recognised by the industry too. Most recently, we won the Best Subsea Innovation Award at the Global Carrier Awards, and we were recently elevated from fifteenth to third by Gartner in its *Critical Capabilities for Network Services in APAC* report, out of all global carriers. We are proud of these accolades, the role we play supporting our customers, and the strategic partnerships that we've formed.

In terms of our customer base, we serve around 4,000 customers around the world across two segments; Wholesale, which includes carriers and OTT players; and Enterprise, which includes multinational companies and governments.

Now, I'd like to play a short video about the role we played to deliver the 36th America's Cup to a dedicated audience of nearly 70 million viewers in 236 countries, to make it the most watched America's Cup in the event's history.

[Video playing]

Male: The America's Cup is without doubt the pinnacle of sailing. It does reinvent itself every time there's a new defender.

We had a completely new broadcast set up for a 36th Cup. We had a whole new class of boats, 25 metres long, eight stories high, capable of flying on foils above the water at speeds of over 50 miles an hour.

Telstra provided us with connectivity to broadcasters all around the world. And then of course, we had the managed service over the top. To produce the four feeds of coverage, we had about 44 video sources at any one point. We had two cameras on helicopters, we had two cameras on chase boats. And in addition to which, we had 10 cameras on each of the yachts that were racing.

We had a huge array of international broadcast partners; 55 major networks around the world, covering about 190 countries. And then global online distribution through YouTube, Facebook, and the America's Cup website. We reached an audience in total of 941 million across all screens and all forms of distribution, which is in itself a record for the America's Cup.

Male: Telstra for sure had the best offer in terms of technical solution, in terms of communication with us, and also in terms of pricing.

We had different areas of distribution to cover. The first area was the area of classical distribution of live feeds to broadcasters anywhere in the world. The second area was the area of upload of content to a media

account. And the third area where we needed a partner was a 24/7 connection to our remote centre in Wuppertal, Germany. And it was important for us to have one partner, if not three partners, for three different services.

Other media partners should consider Telstra as their distribution partner, because Telstra had a technical service that was outstanding, and that the communication with Telstra was just great.

Male: I'd recommend anyone to consider Telstra as their media services partner. We had a great experience. The fibre delivery, I think, was a was a major plus. It was pretty straightforward for broadcasters to plug into the Telstra network. And they were always available, very, very proactive in doing testing with broadcasters, and they delivered an operation which was, from my point of view as the rights holder, seamless and very, very reliable. I'm really grateful to them for doing that.

[Video ends]

Oliver Camplin-Warner: That was just one example of how Telstra International supports our customers to deliver on their business outcomes.

Now I'll share an update on the progress we've made through T22. As it was for the domestic business, T22 has been a transformative strategy for the International division. Over the past three years, we set out to stabilise business performance, drive simplification, uplift the customer experience, and importantly set the foundations for future growth.

The International business has seen strong financial results during this period growing underlying EBITDA margin by 3 percentage points since FY18. We made deliberate shifts in what we sell, moving away from lower EBITDA legacy products to focus on more profitable portfolios.

The International business also contributed to reducing costs, and monetising assets as part of pillar four of the T22 strategy. We expect to contribute $165 million of net cost out between FY19-22. And, following an extensive review of all parts of our business, sold non-strategic assets like a cable landing station in Taiwan, and one of our data centres in Singapore.

With a focus on simplification and digital transformation, there's also been a marked improvement in customer experience. Like in the domestic Enterprise business, our Telstra Connect customer portal is now available to all eligible International customers. We've also simplified internal business processes through digitisation, which have contributed to reducing cycle times by up to 70%, something which customers have singled out as a key source of competitive differentiation.

All of these initiatives have delivered a significant improvement in customer experience, with our strategic NPS lifting from plus 22 At the start of FY19, to plus 58 at the end of last financial year.

In addition, we have built strong foundations for the future. We've consolidated our position as a network leader in Asia, driven partly through our acquisition of a 25% equity stake in the Southern Cross Cable Network. We've built an Adaptive Networks proposition to give customers greater flexibility when purchasing data and connectivity from us. We've also continued to extend the footprint and capabilities of Telstra Purple, to drive our professional and managed services business, as well as our Telstra Broadcast Services business through the acquisition earlier this year of MediaCloud.

We have focused on key strategic partnerships in the Enterprise space, to support demand generation and delivery for our next-generation NAS portfolio. And finally, we have supported our people in all corners of the world, as we've collectively navigated the challenges are COVID-19.

Now I'll turn to T25, and Telstra International strategy for growth, starting with Wholesale. We are a wholesale market leader in Asia, and we are uniquely placed as a secure Asia connectivity expert. We have an extensive asset footprint in Asia, including a number of key joint ventures in the region. We have a long history serving wholesale carrier customers across our regional hubs, as well as OTT players, with a focus in Asia and the US.

We hold a leading position in emerging cable hubs in the Philippines and Taiwan, and we hold a unique position as the largest foreign telco provider in a number of countries in Asia, including South Korea and the Philippines.

Our Wholesale customers choose Telstra International because of our extensive network, our expertise and our flexibility. The scale and resiliency of our network in Asia, allows us to offer the highest service levels. If one of our cables gets broken by a ship's anchor, or by an earthquake, we have technology called Always On, that allows us to move customers' data to another cable within minutes.

We also have some of the most experienced network engineers in the world and this is something that our customers highly value. Customers also admire our agility and flexibility. We have proven our responsiveness and our ability to keep up with our customers' fast paced businesses and their changing needs.

Leveraging these strengths, growth in our Wholesale business will be driven by firstly, investing in and uplifting our leading network infrastructure, especially within Asia, Australia-in, and Australia-out, and incremental capacity on other key strategic routes. This will help us convert increased customer demand on these routes into revenue.

Secondly, partnering with OTT providers, and cable builders, to be their go to market channel, and to access capacity without needing to make the capital investment. And thirdly, leveraging our cable landing stations,

licences, and highly regarded engineering teams, to provide more network services.

In our Enterprise customer segment, we already have a sizable business making up a significant portion of our overall revenues. We see the opportunity to grow this even further. Our growth strategy for Enterprise takes advantage of shifts in the market, and changing customer needs. Customers are looking for more flexible and scalable network solutions, greater protection from cyber risks, and help in adapting to new ways of working. We are making a deliberate shift towards building next-gen offerings that address these customer needs, whilst staying close to our core to ensure that we have a right to win.

Our growth in Enterprise will focus on three portfolio areas; Adaptive Networks, Security, and Modern Workplace.

For Adaptive Networks, we will build on our current offerings, and bring to market new, enhanced product features. Security is the next key area, and is a significant opportunity for us. We have a strong professional services capability through Telstra Purple, and have recently become the number one security operations and services provider to one of Asia's largest conglomerates.

Our next-gen cybersecurity proposition will meet the ever increasing market demand, and includes scaled security advisory services, as well as a set of managed solutions to pull through annuity revenue from professional services.

Lastly, our modern workplace propositions will focus on providing our customers with flexible and efficient workplace technology, to improve their employee and customer experiences, making it easier to work remotely when we want and how we want, through some of the incredible technology that we've all grown to depend on during COVID times.

These propositions will be underpinned by our existing voice capability, and strategic partnerships with the likes of Microsoft.

The third pillar of our T25 strategy, is to expand our capabilities and presence in new and emerging markets, to drive future profitable growth. Over the past few years, we have expanded our reach into new markets, including to Canada, and nine new countries in Europe.

As you all know, last month, we also announced that we have partnered with the Australian Government to acquire Digicel Pacific. While becoming an international mobile carrier was not a core focus for Telstra, nor had we contemplated entering into some of these new markets, the acquisition presents a unique set of circumstances, that aligns well with Telstra's own strengths in International and our proposition in the region.

On completion of the acquisition, the Digicel Pacific team will become part of Telstra International. Digicel Pacific is the leading provider of

communication services across Papua New Guinea, Samoa, Tonga, Nauru, and Vanuatu, and in Fiji, holds the number two position in the market. The company has 1,700 employees, who support around two and a half million subscribers, as well as an Enterprise business supporting approximately 2,000 customers.

They have comprehensive population coverage in each country, having invested more than US$1.2 billion in the network since launching in 2006. We have carried out extensive due diligence, and I have spent time on the ground in PNG as well.

The financials of Digicel Pacific are strong. Year ending 31st March 2021, Digicel Pacific generated US$431 million of revenue, and US$233 million US dollars of EBITDA, representing a very healthy EBITDA margin of 54%.

In terms of the revenue split, circa 76% of their revenue is generated from its mobile business, which is largely prepaid. 7% comes from TV and broadband services, and 13% comes from business solutions.

Digicel Pacific has also invested significant capital in its network, operating the network with the widest coverage, and most capacity, in most of its markets. Its extensive network includes more than 960 network sites in PNG alone, and 480 sites across its other five markets.

In PNG, its largest market, it has achieved extensive network coverage, including 2G to 80% of the population, and 4G to 55% of the population. This is notwithstanding the challenging geography and terrain, with 148 sites that are accessible only by helicopter.

In the other markets, between 87 to 99% of the population is covered with 2G, and 69 to 99% of the population is covered with 4G.

A key part of Digicel Pacific's identity, and one that we respect and are excited by, is its commitment to sustainability and community initiatives in the region. In particular, the Digicel Foundation in PNG has a strong track record of conducting beneficial work and social development.

I will share more detail on Digicel over the coming months, as we approach completion. We expect this to take three to six months, subject to receiving the relevant government and regulatory approvals. I look forward to sharing more with you over the coming months.

The Digicel Pacific business aligns well with Telstra's core strengths, and experience in the Pacific, and will strengthen our role as a provider of international voice, data and ICT services, in the broader Asia Pacific region.

Today, our International business is a key telecommunications provider, connecting the Pacific Islands to the rest of the world. In fact, we have been a licensed operator in PNG since 2012, delivering services to

Enterprise customers there, in particular in the mining sector. We also have a 25% equity stake in the Southern Cross Cable, and have capacity in the Southern Cross Next Cable, which will be ready for service next year, and includes new cable branches into Fiji, Tokelau, and Kiribati. And we play a critical role in the Coral Seas cable joining Australia to PNG and the Solomon Islands.

With all of this existing experience, and local presence, there are a number of synergies that we are excited to further explore on deal completion.

To close, let me share with you the key outcomes that our T25 strategy will deliver, and how it will contribute to the overall T25 scorecard, keeping in mind that the Digicel Pacific investment is not included in any of these financial ambitions, or the overall guidance Telstra has provided.

One, we will deliver an improved strategic NPS of plus 60. Two, we will continue our focus on profitable growth, targeting early 20s EBITDA margin. Three, we will target revenue growth in low to mid-single digits CAGR. And four, we will ensure we leverage our leadership in Australia to become the international partner of choice, for the majority of Australia headquartered Enterprise customers.

To conclude, T25. signals the next chapter of growth in Telstra International's journey, leveraging our market-leading international connectivity, people and services. And we are very confident about the growing role Telstra will play around the world.

Let me now hand back to Nathan Burley to kick off Q&A.

Q&A Session 1

Nathan Burley: Great. Thank you, Ollie. So we've now got time for Q&A. Now all the speakers that have spoken this morning are available to answer questions. Our CFO, Vicki Brady, is also available. So if you do have a question, and you're on the line, please press star one to register your question.

Our first question comes from Eric Choi from Barrenjoey. Go ahead, Eric.

Eric Choi: Morning team. Thanks, Nathan. I just had three questions, all on network leadership.

Firstly, if you're trying to premiumise 5G ARPUs, does it make sense to reduce your reliance on JB Hi-Fi? I ask because after subtracting gift cards, the effective JB Hi-Fi price point isn't too different from the $40 to $50 that Vodafone is playing in.

The second question on 5G home internet, and specifically your new $85 plan. What's the profitability uplift every time someone shifts to that from NBN? And theoretically, what percentage of your broadband base could shift onto these plans, without impacting your capex to sales targets?

And last question on spectrum. How does the reallocation of sub-one gigahertz impact your network leadership post-FY24? Thanks.

Andrew Penn: Well, thanks very much, Eric. And thanks, as always, for showing interest in supporting these events, we really appreciate it. I might comment on the last point first, and then get some of the rest of the team to pick up some responses as well.

But essentially, 5G will operate in all three spectrum bands in the sense of low band, mid band, and high band. The premium band at the moment for 5G, and where it's been launched around the world, is at 3.6 gigahertz. And that's where we're getting great capacity, great experience.

And what that requires, though, is a level of densification in terms of the rollout of the network, to make sure that we can get enough coverage using that spectrum band, to get the capacity and the speeds to deliver a really good 5G experience. And that's exactly what we're doing.

And we're well ahead of our competitors. And you've probably seen some of our competitors put out various different claims using different spectrum bands, and otherwise.

I mean, the bottom line is, we are ahead of our competitors in the rollout of 5G. We are in a much better network position. It was clear to us that there was going to be a constraint on using Chinese manufacturers of radio access equipment. So we were very clear on our network strategy. And we got out ahead of that, and our competitors are in a very different position, in a difficult position, because they can't basically roll out the radio access equipment in the same way that we've been able to.

And so therefore, for example, I think there was some media yesterday, one of our competitors is using 700 megahertz band spectrum, which is at the low band, to try and compensate for the fact that they haven't actually been able to roll out their fixed network infrastructure in the same way that we have.

So then when you roll the clock forward, so we're in a great position, we have 75% pop coverage, but we have 75% pop coverage using 3.6 gigahertz, which is exactly the band that we need to. And then what happens, of course, is we can use our low band spectrum to add to that, and then as mmWave band comes on board, which you heard from Nikos, that also gives us the capacity to provide even more densification capacity, more speeds. And we're really rolling that out already.

The other thing to bear in mind, of course, though, is we need the devices to come along to be able to use that. The Google Pixel which has just been launched, has got that capability. And then as more and more devices become available, we will really be able to leverage that 1 gigahertz of mmWave spectrum.

So I might get Nikos to comment on anything he thinks I've left out on

that spectrum point, and then maybe Vicki and Kim can pick up the first and second questions around JB Hi-Fi, and also your point around the tiered plans in home broadband. So Nikos?

Nikos Katinakis: The only thing I would add is that at the low bands, we use today already 850 megahertz spectrum for 5G. As we reduce the 3G spectrum, as we are going to shut it down in 2024, otherwise in the mid band we use 3.6 as the primary deployment band, as that provides by far the most capacity and capability.

Andrew Penn: Thanks, Nikos, Vicki and Kim, are you happy to take the rest of Eric's questions?

Vicki Brady: Thanks, Andy. We might need a tiny bit of a hand, because at the Sydney end, we were struggling to hear, Eric. I think the first question related to JB Hi-Fi?

Andrew Penn: Yes. Basically I think Eric's question was, literally I think it was should we be reducing our sales through JB Hi-Fi to further take advantage of upgrading the premium nature of our returns on 5G? And then I think the second question was, what proportion of customers do we think we can move to the 100 megabits per second download speed for fixed broadband service?

Vicki Brady: Got it. Thank you for that. And why don't I take the JB Hi-Fi question first, and then Kim can jump in on the fixed broadband question.

So Eric, firstly, the thing I would say in terms of our overall approach to market, and how we've competed, how we've priced over the last several years, we've been very consistent in our strategy, and absolutely disciplined in our execution. And as you know, our multi-brand strategy is very important to how we address the market with the Telstra branded business up at the premium end of the market.

And then we do use a portfolio of brands and channel partners to address the various parts of the market that the Telstra brand won't necessarily reach to.

So for JB Hi-Fi, as you would have seen over the last little while, we have moved pricing up in a period when we're obviously investing in 5G, in a period where obviously industry returns had been under pressure. And so consistent with our overall pricing strategy we've absolutely seen our JB pricing also lift.

It does play an important role for us. It plays a role in reaching, as I said, a part of the market the Telstra brand may not necessarily be attractive to. It is absolutely an important channel for us for attracting customers from competitor networks over to Telstra.

And the thing I would say with JB, a few things, because we do get a lot of questions on it. Firstly, we are very deliberate. We do monitor very

closely, we have tight guardrails to ensure it is value accretive. Various offers have contributions from JB and other vendors who play a role in that. And I would say you have seen us over a period of time, as I said, overall pricing has lifted, and you will have seen the promotions come in and out of market fairly quickly, and with us targeting various price points.

So we do absolutely see JB as a consistent part of our multi-brand strategy, and it plays, as I said, quite a specific role for us reaching a part of the market, and attracting customers that may not necessarily have considered Telstra otherwise. So very consistent and absolutely value accretive.

Kim, I might pass over to you on home broadband.

Kim Krogh Andersen: Yes, thank you. Thank you, Vicki. And to be honest, we see the increase for both capacity and also speed in the home increase significantly. Of course, the COVID has just accelerated, because we are now using the home for entertainment and working and schooling etc.

So all in all we follow very closely and collaborate very closely with NBN to ensure that as soon as these higher tiers is available for the customers, the technology is available, we are giving them offers to ensure they can grow up the tiers.

If you compare Australia to the global markets, we see that in the global context, customers are actually demanding even higher speed tiers, and that's also why we are super happy with not only having the 100, but also above that. And I think, connected home in the future, they will need more than 100. And we will even see higher plan tiers in the future.

And we have following that very closely. We are growing, and we are having the plan mix we expected, and we expect to continue growing that over the coming years. And that's of course, a super important part of our mid-teen NBN ambition.

So we are following that closely. The demand is increasing, we are following the technology evolution, and ensure that the customer is on the best possible connectivity, which I mentioned before, both include 5G and NBN, and in the future also satellite.

Nathan Burley: Eric, I just might give you a chance to come back at that, given we might have missed – just to make sure we've covered your question?

Eric Choi: That was all extremely helpful, and Andy did a great job of paraphrasing. My question on the second one was actually around 5G home internet, and specifically your $85 5G home internet plan. The question was, what's the profitability uplift every time someone shifts to that from NBN? And what percentage can we move to 5G or fixed wireless without impacting your capex to sales targets?

Andrew Penn: So yeah, specifically it was on fixed wireless, sorry, Eric, as opposed – fixed wireless home broadband. So Vicki and Kim, do you want to

comment?

Kim Krogh Andersen: Yes, I think we mentioned a little bit in the speech as well. We have said before that our fixed wireless access, we estimate that 10 to 15% of the broadband market can benefit from fixed wireless access. We have never seen it as something to compete with NBN. We see it, as I mentioned before, to ensure we always find the right technologies for our customers.

And that will be the same for us in this case. Of course, the margin is different, when you move to our own infrastructure versus being a reseller of NBN. So we are not approaching it from that point of view. But we are approaching it from the customer, to always ensure our customers, they have the best possible and most suitable technology, to enable their connected home experience.

That's the only way to approach it. Because otherwise, we will sub-optimise, and that will not be the right thing for our customers, and the long term relationship with them. So we are super firm on that strategy. We have a pre-qualification tool. So when you put in your address, we will exactly know which technology suits you best, and therefore provide you with that experience.

Nathan Burley: Great. Let's go to our next question, which is from Lucy Huang from Bank of America.

Lucy Huang: Thanks Nathan, and good morning, Andy and team. I have two questions. So firstly, you mentioned the 5G premium. I'm just wondering, with competitors more recently, we've seen a reduction in pricing plans with pretty high 5G coverage in their targeted cities. So just wondering whether this poses a risk to the industry, or whether you have any thoughts on potentially also moving in that direction?

And then just secondly, I'm just interested in regional 5G coverage. I think you mentioned you're adding 100 kilometres of extra coverage by FY25. I just wondered if you can give some colour as to how much capex is needed to do this? And is the real opportunity for regional in more subscribers and consumer in 5G premium? Or should we think of it more as the Enterprise and IoT proposition? Thanks.

Andrew Penn: Thanks very much, Lucy. So the first thing I should say is not all 5G is the same. And I think I alluded to that when I was really commenting in relation to the spectrum band that we're using.

So I know our competitors have made various different claims and assertions about their 5G coverage. But the bottom line is, they're using a different spectrum band to get that. They don't have the same density of coverage that we do from a radio access perspective.

So ultimately, with any mobile network, your performance comes from a combination of the spectrum band that you're using, and the physical infrastructure, so the mobile towers and the radio access equipment you

have on those mobile towers and the density, so how much of that which you have. And we've obviously rolled out a dense 5G network. And therefore, we're able to use the 3.5 gigahertz spectrum, which has a lot more capacity, and the ability to provide those really great 5G speeds. And that's what we're using.

Our competitors in particular, I think, quoted earlier yesterday using low band spectrum, which gives them a broader coverage to compensate for the fact they don't have the density of the physical infrastructure in place. But it means that they can't get the same sort of 5G experience.

So we believe that we continue to have a significant premium from quality, a coverage, a resiliency, a speed, and many different perspectives. And so we'll continue to ensure that's reflected in the value that we provide our customers in the pricing approach that we take.

On regional, our network basically covers about 2.5 million square kilometres of Australia's landmass. That's about a million square kilometres more than our next nearest competitor. And when I say network, that's 5G, 4G, and 3G.

The thing that we've committed to do, is we've committed to extend that overall coverage from 2.5 million square kilometres to 2.6 million square kilometres, so an extra 100,000 square kilometres by 2025. And then the other thing that we've committed to do, is to effectively retire our 3G network by 2024. So that means by 2025, we will have 2.6 million square kilometres, covered with both either 4G and/or 5G as well. We said we'll get to 95% of the population with 5G in that time.

And I think in regional and rural, where 5G has a role to play is definitely in a lot of industries. So things like logistics, mining, particularly in private networks, which Kim alluded to earlier, where we literally put in a 5G dedicated network for an individual customer; in technologies such as agriculture, logistics, and other types of primary industries, which tend to operate in regional and rural communities.

We already cover 200, I think it's 240 cities and towns across Australia with 5G, and that's about 200 more, again, than our next nearest competitor. So we're very, very serious. We think 5G offers lots of opportunities, particularly for Enterprise customers. And we'll obviously roll it out according to where we see those opportunities. But our commitment is to get 95% pop coverage by 2025.

Nathan Burley: Thanks, Andy. Our next question comes from Entcho Raykovski. Go ahead Entcho.

Entcho Raykovski: Morning all. Thank you for the presentation, firstly, very good detail. My first question is more of a confirmation. You spoke in September, about mid-single digit CAGR target for mobile service revenue out to '25. And you've mentioned in today's pack, on slide 17, that you're looking for revenue growth in mobile service revenue over that period. Just looking

for a confirmation that there is no change to the target. Maybe I'm just picking on the detail a bit too much, but just wanted to make sure you're seeing it in the same way.

Secondly – this will be a question for Oliver I think – in International, can you comment on the competitive dynamics that you see, and what generally happens to pricing when you re-contract? And if there are any differences in terms of those dynamics for Wholesale versus Enterprise?

And then final question on 5G fixed wireless. I guess interested in your thoughts to what extent fixed wireless penetration will be impacted by NBN pricing. And if you could perhaps talk about what are the expectations around NBN pricing from the ACCC review that's currently underway. Thank you.

Andrew Penn: Thanks very much Entcho. I'll get Vicki to confirm the position on the financials, and then Oliver to speak on the international competitive dynamics.

Just on NBN pricing review, I mean, I don't have any more insights than anybody else does. So we're obviously keen to hear and see what the ACCC conclude, but I don't have anything further to add.

And I think you heard from Kim in relation to will NBN pricing affect the popularity, or rather the penetration of 5G fixed wireless. I mean, from our point of view, I think Kim's made it really crystal clear that we're targeting 5G fixed wireless solutions where it is the appropriate technology for our customers. So it's not a pricing thing, from our perspective, it's just purely the fact that 5G offers some great experience. It's not suitable necessarily in every situation.

But there are certain customers for whatever reason, they may be a long way from an exchange, using – or sorry, using a copper lead-in rather, on a fibre to the node, or they may be on a fixed wireless using 4G fixed wireless on an NBN service, where a 5G fixed wireless solution could actually offer them a better experience for similar price. So that's basically the focus that we have.

So with those comments, I might hand over to Vicki who can just confirm the financial piece. Whilst we're in Sydney, we'll see whether Kim wanted to add anything just in relation to the fixed wireless thing. And then we'll leave you with Oliver to follow up on the international question.

Vicki Brady: Thanks, Andy. And thanks, Entcho. It looks like you're not the only one to pick that up in today's material. And I can just reinforce we didn't repeat every one of our ambitions and targets in today's material. But absolutely, our mid-single digit CAGR for mobile service revenue that we spoke to in September at our Investor Day, remains unchanged. We just, as I said, we didn't repeat every one of our metrics today. So thank you for asking that question. And I can absolutely confirm that it is an unchanged ambition for us.

And Kim, did you want to comment?

Kim Krogh Andersen: No, I think Andy covered it well. I'll just say the 5G home broadband is a good experience. But NBN is also a good experience, and we just always ensure that we pick the right technology for our customers, and that is our guiding principle to all our people talking to our customers, and also our digital sales. So that is our priority. And it will keep being that approach to the home, the connected home in the future.

Andrew Penn: Oliver.

Oliver Camplin-Warner: Thank you, Entcho, for the question. So I spoke a little bit about our strategic assets, and how we're in quite a unique position, especially here in Asia. So sometimes when we contract, we're actually able to charge a premium on some of those routes, given just how uniquely we position the diversity we have as well.

You spoke about Wholesale and Enterprise. So our focus very much is around profitable growth moving forward. And Enterprise is a key part of that. Wholesale, we are very strong today. We are the number one provider here in Asia, as I spoke to. Enterprise, we see that as a growth opportunity, and looking to further grow the base that we have today.

So in terms of contract renegotiations, we tend to sort of fare pretty well through those conversations. And then Wholesale is key, but Enterprise is a key growth area for us moving forward as well.

Nathan Burley: Thanks, Ollie. Our next question comes from Darren Leung from Macquarie. Go ahead Darren.

Darren Leung. Thank you. I just have one question. It was just around your mobile tower rollout. So the tower network is about 5,500 towers at the moment. And in the slides, it talks around doubling the number of sites. Can you please confirm what your number of towers, either macro or micro or total, by 2025 will be please?

Andrew Penn: Sure. I think that slide must have been one of your slides, Nikos, so would you like to take that?

Nikos Katinakis: Happy to take the question. The chart is not covering the number of towers we have across the country, the number across the country is approximately 11,000 or so, to 12,000. We're talking about doubling the city towers, or the city points of presence, if you will, that cover small cells in building systems and macro towers, and doubling them with using more macro towers, more in building systems, small cells and repeaters.

I don't remember exactly the number. I think it's in the 3,500 or so points of presence, if you will, that covers all the major cities. And the intention is to double those points of presence.

From a financial perspective, obviously, the cost to doubling them does not correlate very well with a macro site. So in other words, by using small cells and repeaters, the cost to create that extra point of presence is quite small compared to a macro site.

And the reason why we're doing that is to really, really concentrate on utilising the capacity that mmWave has in particular, which is just massive. And what we're trying to do is really optimise the capacity utilisation. Because mmWave, like Andy has said a few times, does not travel very far. So what you need to do is densify the network, but that creates a capacity overload. So what we're doing is truly optimising the cost of deployment. So I hope that covers.

Nathan Burley: Thanks, Nikos. Our next question is from Rod Sleath from Rimor. Go ahead.

Rod Sleath: Hi, guys. Thanks very much. Actually, it's just a quick question, coming back to edge computing, 5G and low latency. I think it was 2018, when you first announced T22, that there was discussion about converting 650 exchanges to edge compute data centres. So I just want to check that I have that correct?

And I haven't really seen anything about that since, so I was wondering if that was a project that you did carry on with? And if you have, are those data centres actually being utilised today as just sort of regional data centres for more standard applications, rather than low latency edge compute functionality?

But do you feel that that gives you a competitive edge, particularly, I suppose, within Telstra Purple, in terms of rolling out full solutions as low latency edge computing applications do grow over time?

And then the final part of that question is what sort of timeframe do you think we're talking about before this is actually a material contributor?

Andrew Penn: Thanks very much, Rod. I might hand to both Nikos and Kim, who can talk to that. Nikos very much from a network design and technology development perspective, and Kim, obviously, looking at it through the lens of applications and solutions to customers, particularly Enterprise customers. But Nikos, do want to comment in terms of what we're doing on the edge side?

Nikos Katinakis: Yeah, thank you for the question. The 650 number, these are not the locations that we are utilising. These are the possible locations that we can utilise. In other words, what we did back then is we carved up the country in circles. And we divided the latency that we thought would be suitable for a low latency application. And that turns out to be circles of a radius 25 to 35 kilometres. So if you carve up the country in circles of 35 to 25 kilometre radius, you end up with 620 locations or so that are suitable to deploy a low latency application and infrastructure.

What we have done in the meantime, we have started deploying, in very few locations, customer-driven edge compute capability, with a corresponding application that can address what the customer wants. So in other words, we have deployed something in Melbourne, in Toowoomba, and in Sydney at this point, that covers demand in those three locations, and we're working on something in Perth.

Beyond that, what I would suggest around edge compute, it will grow over time, and as I described, especially in the resiliency component of our strategy, it is our intention to also take network functions and spread them across the country. And we are going to utilise the exchanges that we already have, in order to put those network functions and IT workloads in those locations.

It is important for me to stress one more point. Low latency comes from the ability of hopping off to the network as quickly as possible. Today, our network hop-off points are not distributed around the country. So if you have a low latency application in Broome, you are going to travel all the way back to most likely Sydney, hop off onto the network, and travel back. So we talk about low latency applications in particular; it is quite important that the IT infrastructure where the application lives, and the network, are right next to each other. And that's what makes the differentiation.

From a competitive advantage then, having all these exchanges and real estate around the country, we believe it does give us an opportunity to maximise deployment time, optimise deployment time and maximise our capability. Kim?

Kim Krogh Andersen: Yes, no, no, Nikos, you're definitely right. I see it as a huge competitive advantage for us. The foundational 5G network which edge compute is a part of. If you look at 5G and the monetisation of 5G, that will not be a killer application, that will solve everything for us. It will be that digital transformation of the industries that is important.

We have the best 5G network. And we also have now introduced and launched edge compute branch offload, as Nikos mentioned before. We have a very mature IoT business. And these IoT connections, they just create massive amounts of data. These data need to be processed real time, to create all these use cases in the industries, no matter if it's robotic, if it's autonomous driving, or digital twins, etc. And that's why we need edge compute.

We also need super advanced AI application, because the outcome of IoT and sensors and video cameras, that's when you process the data. And that's why we are so excited about that announcement yesterday, because that was the final element. We have the 5G network, we have the IoT business, we have launched edge branch offload, together with Microsoft, and now we have the AI capabilities together with Quantium, to really maximise the impact we will have and help we can give to the industries we are supporting. So for us, we definitely see this as a competitive advantage for us in the market.

Nathan Burley: Thanks, Kim. Our next question is from Brian Han from Morningstar. Go ahead, Brian.

Brian Han: Thanks, Nathan. Two questions if I may. Nikos or Kim, how much of a drag on costs does Telstra suffer from having the current 3G coverage?

And also can you talk about what the cost advantage is of 5G over 4G, for example, in terms of, let's say cost per gigabyte transmitted, or some other metric?

Andrew Penn: Thanks, Brian – Andy. I think probably Nikos is best placed to cover that. It's obviously a capex advantage as opposed to more so than an opex advantage. But it does help opex as well, but it's mainly capex. But Nikos, do want to comment between 3G, 4G and 5G?

Nikos Katinakis: Yes, thank you for the question, Brian. 3G has a few disadvantages. It consumes a lot more power than 5G per bit delivered. It's bulkier, so it takes a lot more strength on the tower. And because it's an older technology, of course, it's just a lot less efficient. So the cost advantage of deploying 5G, delivering a bit of data than 3G to 5G, it's at least 10 times more.

Actually, the quick math that we use, and I don't want to make it too complicated – 3G to 4G, 4G is 10 times better. 4G to 5G, 5G is 10 times better. So if you take both, let's say it's about 100 times better 5G to 3G, in efficiency of delivering a bit of data.

Now, that does not mean it's 100 times better in capex or in opex. But it's several times better. From a capex perspective, we're not spending anything more. We started the 3G conversion by having 650 or so sites that were 3G only, we have split them into four years. So we're just going through the upgrades of incorporating 3G and 4G on the same site, within the capital envelope. So we don't see any incremental pressure, because it does allow us to deliver a lot more data, and addressing a lot of the pent up demand that we see in those places.

Nathan Burley: Thanks Nikos. Now we might close our first Q&A session there. We're going to take a short break, about 10 minutes, and after that, we'll hear from Mary Foley on our Health business, we'll see you in 10 minutes.

[Break]

Presentation from Professor Mary Foley

Mary Foley: Welcome back everyone, I'm Mary Foley, I'm Managing Director of Telstra Health, a position I took up when I joined Telstra in 2017. My background is an extensive career in the health sector with CEO roles in both public and private healthcare, as well as policy, strategy and M&A roles in government administration, the corporate sector and in academia.

As an adjacency to Telstra's core telco business, we are guided by our own special purpose, to realise a connected and improved digital health experience for all. We directly support the delivery of patient care by health professionals, health institutions and other health service providers. Our focus is B2B, B2G and B2B2C. Our products and services relate to software which supports clinical processes and the improved use of data to help manage patient care.

We expect to grow to be a $500 million revenue business by FY25, contributing to Telstra's T25 growth targets based on three key pillars. Firstly, as a business, we are strategically well-positioned in a growing market. We have achieved strong, organic growth over recent years and we expect this to continue and accelerate with our recent acquisitions.

Secondly, we already have a very well established presence in the United Kingdom through Telstra Health UK and we expect to continue to grow globally as an organisation. And finally, through our ability to offer new solutions to the market as we join the dots across market segments, to offer platforms that assist governments and health and aged care providers to solve some of the most complex problems in how they deliver health and aged care.

As an organisation, we comprise some 1,400 team members across Australia and overseas. We have a market presence in Canada, the UK, other parts of Europe, Asia and the Middle East in addition to our extensive footprint in Australia and New Zealand. Some of our customers include public health systems and hospital authorities in Australia, Canada, Hong Kong, as well as other national governments, public and private hospital groups, aboriginal community controlled health organisations, pharmacies, general medical practices, aged care providers, and a range of other providers in the health care system.

We have a comprehensive and unique footprint across the health and aged care system. In this slide, you can see how we structure ourselves as a business around the key market segments of aged and disability care, primary and community health, pharmacy, population health solutions, hospitals, virtual care and data and analytics. From this you can see where our two recent acquisitions of MedicalDirector and the PowerHealth joint venture sit within the Telstra Health business, filling key gaps and strengthening our capabilities, particularly in hospitals, data and analytics and in primary care, and both acquisitions also have important relevance and intersection with aged care.

Some of our key activities across the market segments illustrated here and include we're the largest provider of digital systems across residential aged care in Australia, supporting more than 60,000 beds, as well as providing services in community aged care and disability care. More than 500 private and public hospitals in Australia, use our Kyra Hospitals and Connected Health solutions, including our hospital electronic medical record, which

is utilised in large hospitals across Australia. Previously, the only alternatives have been products developed in the United States.

Our Script Exchange, developed by our joint venture partner, Fred IT, operates between doctor's desktop and pharmacies to support more than 300 million patient prescribing and dispensing events per year. And we also support the infrastructure that underpins electronic prescriptions and the real time prescription monitoring of opiates and other designated prescription drugs.

Our population health platform operated on behalf of, and for government, supports cancer screening programs, managing 16 million health records for Australians at risk of these cancers, ensuring early detection and follow-up. We're supporting digital solutions to support new models of care in virtual health monitoring and hospital in the home in a part of our business that is growing rapidly, and through MedicalDirector, we support 23,000 clinicians deliver more than 80 million consultations every year.

And finally, in the UK through our data and analytics capability, we support 71 hospital trusts to monitor and benchmark key clinical indicators for quality and safety. Telstra Health's unique position is not only the comprehensiveness and depth of our footprint across health and aged care ecosystems, but also our capability to develop interoperability between care settings which have traditionally been silos in any health system. These kinds of solutions support more integrated patient care and support our customers to improve health outcomes.

Our support of national cancer screening services contributes to achieving the national goal to eliminate cervical cancer by 2034, for example. The slide gives three practical examples of how our solutions are connecting information and care. Firstly, we support electronic prescribing between doctors and pharmacies and the patient through Fred IT's electronic script exchange.

In cancer screening services, we connect pathology, referring doctors and their patients, and also check the participants in cancer screening programs are on the correct clinical pathway and have all necessary reminders.

Our virtual care solutions, support care delivery in the home, connecting hospitals and community-based services such as GPs and state health services and hospitals, for example, providing remote monitoring of a patient's blood pressure, temperature, blood glucose, oxygen saturation and other clinical indicators, with alerts provided to clinicians, where our patients show signs of deterioration and, where appropriate, providing video conferencing between patients and care teams.

This slide expresses the scale of some of the trends in the health care market and the digital transformation that will be necessary to help address the demand challenges facing health systems everywhere. Telstra Health is uniquely placed to support this transformation. Health Services, excluding aged care, account for an OECD average of 10% of GDP

globally and rising with a 75% average publicly funded and 100% highly regulated by governments and with very high expectations from all citizens.

Globally health systems are responding to rising pressures on their capacity and budgets as a consequence of the introduction and application of new technologies, new treatments, and aging populations who have more complex health conditions that place greater demand on the health system.

Digital solutions can support service providers and health systems to address some of these pressures by improving whole of system efficiency, by improving connection between care settings and by changing the way care is delivered in terms of when an intervention is made. For example, through earlier diagnosis and treatment, as well as the setting in which care is delivered, with more care being delivered away from hospitals that are traditionally the highest cost care setting.

Importantly for Telstra Health, the way health systems are funded globally is similar where most funding comes from third parties - either governments directly or through public and private insurance models. As such, Telstra Health is strategically very well positioned to grow globally in this growing international market.

The first of our three pillars of growth is our organic growth. We are continuing to build our core businesses. There are significant segments of the market that are un or under digitised and there is accelerated demand, especially following from COVID for interoperable capability in hospitals, pharmacy, across general practice, in aged care and other sectors. We have continued to win market share in the aged care sector where we are already the largest provider. We see our data analytics and AI business as a key contributor to our organic growth and we also expect to continue to see growth in virtual care and remote monitoring in rural and remote solutions, and in digital solutions for hospitals.

Our second pillar is international growth. We expect to continue to grow internationally both in markets where we already have a presence, particularly the United Kingdom and in new markets where our PowerHealth joint venture gives us a strong presence in Europe, Asia, the Middle East and North America.

Importantly, the PowerHealth footprint will allow us to accelerate growth as we take target offerings of Telstra Health Solutions to these growing markets.

Our third pillar for growth is through new interoperable platform opportunities. We expect this opportunity to be accelerated through our acquisition of MedicalDirector and PowerHealth, where the strategic partnerships and acquisitions provide us with unique capability to address these challenges in combination with our core capabilities. For example, health systems outcomes could be improved by health information

exchanges between aged care and hospitals or aged care and primary care, drawing on our expertise and deep footprint in each of these sectors. This capability could help our customers to prevent some hospitalisations, reduce hospital length of stay, and improve information transfer and continuity of care across care settings.

From this slide, you can see our line of sight to becoming a $500 million plus revenue business by FY25. This trajectory is based on current performance of over $250 million in revenue on a full year basis including our two recent acquisitions, and with a CAGR to date in the high teens and recurring revenue of more than 80%. This recurring revenue base is significant. Most of our customers in the sector are long-term customers with whom we have established, and will continue to establish, long-term relationships.

Our underlying core business growth in the dark blue, will take us half way there. Our two recent acquisitions in light blue, plus identified synergies, will provide a significant boost and finally, increasing opportunities for interoperable platforms and solutions in mid blue, will take us to our target. We provide a very strong return on invested capital for Telstra, and prior to our investment in PowerHealth, only a small percentage of our overall income was through international revenue. We expect that our international revenue will double over this period.

In terms of the T25 scorecard, Telstra Health will contribute materially to Telstra's underlying EBITDA and overall financial growth achieving revenues of $500 million and around 20% CAGR by 2025.

Next, we have Ben Burge, who will be speaking to you about Telstra Energy, but first I am pleased to be able to share a short product demonstration video that covers four of our key products and business units. The footage in the video incorporates our actual solutions in real health care settings and practices where our products are used each day to support clinicians in the delivery of care.

[Video playing]

Female: At Telstra Health, our teams range from doctors and nurses to expert software developers and health information managers tasked with solving complex challenges in delivering quality care. Thousands of health practitioners rely on us to support their patient interactions each week. This includes pharmacies, general medical practices, hospitals and aged care too. Our technology also covers new models of care like hospital in the home and virtual care solutions to remotely monitor returning travellers during the COVID 19 pandemic.

So how do we do it? Some of our solutions include MedicalDirector, which for over 25 years has provided innovative cloud and desktop software to help GPs and specialists deliver outstanding patient care. This includes clinical health records, medical billing, and referral management as just

some of its key features which about 23,000 clinicians use each year to help over 80 plus million patient consultations.

Then there's Kyra, our digital hospital solution suite. It's implemented across public and private Australian hospitals and enables clinical teams to deliver safe, high quality care for patients. It does this by giving clinicians mobile access to a full scale electronic medical record, enabling the delivery of optimal care for their patients. It improves the flow of patients through hospitals and creates visibility to enhance quality, revenue and cost management. It helps clinicians and patients too, by capturing information once and prioritising tasks and supports care coordination by connecting hospitals with other parts of the healthcare ecosystem. Put simply, it's connected healthcare.

Next is Fred IT. It's our joint venture that's the leading provider of digital medication systems and supports community pharmacies too. Fred has transformed how we support digital prescriptions and real time prescription monitoring and support dispensing of more than 300 million prescriptions every year.

Then there's Communicare, our specialist clinical solution for community health care services, including how we support the majority of Aboriginal controlled community health centres in Australia, through a single digital patient record, it helps health care teams work together using one simple digital system. This means more time spent on care and not admin. This is how Telstra Health is going to fulfil our vision to realise a connected and improved digital health experience for all.

Presentation from Ben Burge

Ben Burge: G'day, my name's Ben Burge and I work for Telstra Energy. Our goal is to grow by helping Australian families save money, time and emissions. There are three building blocks for this. Firstly, launch a simple, sustainable and integrated energy proposition. Leverage Telstra's channels and relationships to build scale. And finally accelerate our climate ambition. This ambition is set against a shifting market. Transformation of the Australian grid will be critical in reaching net zero by 2050. Volatility will be, and should be, prominent in this transition.

The ability to rapidly modulate both generation and demand in response to market conditions represents a powerful advantage in this environment. With a unique portfolio of physical assets and data, we look forward to harnessing flexibility to capture value for shareholders, reduce prices for customers and improve climate outcomes.

Now it's worth noting that Telstra has been pretty deep in energy for a long time. Our internal power bill is equivalent to 300,000 families' power bills rolled into one. So we notice when families are feeling the pain of rising power prices. For a couple of decades we've been using the standby power assets in our telecommunications network to address grid instability and market shortages.

Since 2017 we've been underwriting the development of utility scale solar parks and wind farms, to accelerate the decarbonisation of the grid. These have been commercially successful. So in late 2017, we spread the love around to some of our enterprise customers and partners by striking the first market connected corporate syndicated power purchase agreement.

Our long term renewable positions now include the Murra Warra Wind Farm in Victoria and the Emerald Solar Park in Queensland, both of which have been operating for a few years. Our newest investment, the Crookwell Stage 3 wind farm in New South Wales will come on line in 2023. The energy that Telstra sources from these projects is enough to displace the fossil fuelled energy consumption of about 150,000 households. All of these activities work as a portfolio to support the next step in our energy vision, which is to become a top five energy retailer by 2025. This forms part of Telstra's overall T25 growth strategy and supports our objective to enable renewable energy equivalent to 100% of our own consumption by 2025.

Today, I'll give you a sense of what that means and what it will take to achieve our aspirations.

Now as a new opportunity, we like energy retailing because it's a massive market, in which we have zero market share, and a tremendous overlap with our existing relationships. We also have the opportunity to take the technologies that we use to reduce our own power bills and make them freely available to Australian households so they can reduce their power bills. However, energy is a product category that customers love to hate. No customer wakes up in the morning saying "I can't wait to engage with my energy provider." So we need to make it simple, easy and sustainable.

Now our customers' time is important so we're not asking them to form new habits. The Telstra Energy customer experience will be integrated into My Telstra alongside the fixed broadband and mobile services. Our customers care about the climate, but their attention is often on more immediate priorities. So we'll do the heavy lifting needed to improve their carbon footprint. Our plans will be 100% carbon neutral at no extra cost, and for those who want to get more involved, we'll give customers free access to the tools that we use to reduce our own emissions profile.

Our customers don't like to waste money. We know customers won't be motivated to switch to us if we can't save them some cash right off the bat. Tools to optimise usage are a nice add on for those who are inclined, but a competitive offer is table stakes. Our customers have enough uncertainty to manage in their lives. Because they already know Telstra, our customers don't have to do due diligence to understand that we have the resources and the funding to take this seriously. And because we will put all of our customers on the best plan, they don't have to look over their shoulder bracing for a loyalty tax.

Our customers don't like to squander opportunity. The power bill is a massive component of their household budget. They're spending the money regardless so why not earn loyalty points. So how are we going to get to scale? As a business we're grateful to get a glimpse of the lived experience of more than five million households who are already customers of Telstra.

In exchange for that glimpse, our responsibility is to do what we can to make that lived experience a bit better. And to make that real, we need to make efficient use of the channels and interactions through which we get that glimpse. The experience of moving home is a great example of this. Having personally moved house only a few weeks ago, I can confidently say that making contact with a power company is not a joyful part of that experience.

Now you could be forgiven for thinking the same thing about moving a telco service. Thankfully, the T22 strategy has seen a dramatic improvement in the fixed broadband experience for Telstra customers. On our new systems, customers are activated at least twice as fast and are at least twice as satisfied. Every year, nearly two million families undergo the ordeal of moving house, we would like to lighten their load by taking care of their energy move.

When we tested this in Telstra's contact centres, it was clear that customers were happy to connect to Telstra Energy as part of their moving home journey. And we saw a material uplift in customer satisfaction as a function of offering to help them out.

Now commercially, this means that we have a cost advantage when it comes to signing up customers because they are already doing business with us. More importantly, we are already in conversation with them in those narrow windows in which they are actually thinking about the energy category. On average, this is less than three minutes per annum per customer so the advantage is significant.

Now a few years ago, I launched and ran an energy retailer, I can tell you I would have crawled over broken glass to access the marketing assets that Telstra has at its disposal. I'm still coming to grips with the fact that we have a relationship with five million households and nearly one million small businesses. The idea of potentially being able to communicate with millions of eligible Telstra Plus members and active digital users is simply mind blowing.

This is especially powerful in the context of an investment that is so light on capital. Of course, it's not as simple as flicking a switch. A focused, coordinated plan will be needed to make this happen. And Telstra's T22 simplification strategy has made this far more plausible, making our telecommunications propositions simpler, more flexible and easier to self-manage, increases the viability of including a new category into the customer relationship.

However, the scale of this potential is matched by the weight of responsibility to get it right. When things go wrong in energy, the outcomes can be horrendous, especially for those customers who find themselves at the mercy of ill health, domestic violence, or some other bad hand dealt out in life's random walk. This means that our early growth will be measured rather than explosive.

We have to get the basics right for those in the market who are most at risk before we earn the right to scale up in a way that might reshape the way the markets work. This month, we received authorisation to operate in Queensland, New South Wales and South Australia. We will start by signing up some of our employees as our first customers. This will allow us to build, test and release progressive capabilities and capture feedback before we start opening the doors to the public by the end of this financial year.

Now the other risk we need to manage is exposure to commodity markets, which is changing dramatically in the Australian energy sector. In the old days, it was advantageous for a retailer to own coal and gas generators to hedge the risks of spot market exposure associated with their customers' energy consumption. For a bunch of reasons that is no longer the case.

In the graph on the left, you can see the changing shape of electricity demand during the day. You might have heard of the duck curve which describes the hollowing out of demand during the middle of the day. This specific graph is a projection for South Australia that was done back in 2018. But it still works today. From a risk management perspective, the future energy market will be more dynamic and volatile. Done right, the energy transition can be nation building.

In the long term, we should enjoy abundant, dirt cheap, but clean energy supplying a large proportion of the day, night, month and year. This will be punctuated by short episodes during which the flexibility to reduce or increase net system load will be both necessary and valuable. We've had a few tastes of this already, take the explosion of Queensland's Callide Power Station in May as an example.

In response to this event, Telstra was able to keep the lights on for 50,000 families by using our own power assets and contracts. This gives you an indication of how we can harness the natural hedges we enjoy from our physical assets and long term contracts to manage our exposures to a growing energy customer book. In particular, we have a unique position in the extreme price band of $300 - 15,000/ megawatt hour. In this band the physical assets we have already activated would be enough to cover nearly 50,000 customers.

In the next few years, we expect to grow that coverage to over 200,000 customers. In part this is assisted by the transition to five minute settlements, improving the viability of replenishing our 1GWh of batteries with technologies that are capable of spot market participation. A critical

point here is that we secured this risk cover as a by-product of investments that we make for other reasons, such as network resilience.

These latent assets serve as an insurance policy with a nil or negligible premium cost. Given the margin profile for energy retailing generally, this form of risk coverage makes a material difference to our long term margin position.

In the long term, there is a significant opportunity to improve risk outcomes by subtly shifting the time in which our customers use energy. Fortunately, these shifts also correlate with more positive climate outcomes. As we have indicated in our recent discussion paper on the Energy Security Board's post 2025 review, we expect machine learning and connectivity at scale to dramatically transform the potential for demand response to aid Australia's transition to an affordable zero emissions grid.

A significant risk advantage is available to those companies who can leverage volatility, the volatility that will characterise Australia's energy transition. If we build trust in this new category, our smart modems can take on a new role, as Kim indicated earlier. Already installed in over two million homes the Telstra Smart modem establishes a secure control plane that can be used for the detection and ultimately the control of household appliances. Of course, in the early days of the retail strategy, the exposures are modest. No doubt we will return to a future Investor Day event as we build up a material position that requires hedging.

So to summarise, we're already deep in Australia's energy transition. As a massive energy user we notice when families are feeling the pain of rising power bills. We alleviate this pain most effectively when we are more actively involved in the energy market. Pushing into retail is therefore a natural extension of what we have been doing for several years and will augment our efforts to accelerate the decarbonisation of the Australian grid.

Please check out our offers when we hit the market. We would love the opportunity to save you a tonne of cash and assuage any guilt that you might have about the role that your current retailer might play in polluting the Earth. Thanks for your time.

I'd now like to welcome back Andy and Nathan to the stage for some Q&A.

Q&A Session 2

Nathan Burley: Thanks, Ben. We'll now enter our second Q&A session, and our first question comes from Entcho Raykovski from Credit Suisse. Go ahead, Entcho.

Entcho Raykovski: Thanks Nathan. I've got a question on energy, and then a couple of questions on health as well. So firstly, in energy, how do you think about

acquisitions, as opposed to organic growth to reach the FY25 targets? And just maybe as part of that question, if you can talk about how the customer acquisition costs compare, so energy versus mobile fixed broadband customers where there is any significant difference.

And then on Telstra Health, what would be the margin or profitability expectations? Particularly if you can reach that $5 billion, sorry not $5 billion, I have really expanded that, half a billion plus target by FY25. You've also spoken about 80% of the revenue at Telstra Health being recurring, is that primarily a subscription model that is in place, any colour on what pricing looks like would be helpful, and whether there are escalators in place, thank you.

Andrew Penn: Thanks Entcho. Well, we might go straight to Ben on the energy question, then I'll make a comment on health profitability insofar as how it sort of relates to the rest of the portfolio, but then I can maybe get Mary to talk a little bit about some of the different business lines, because they are quite different. So anyway, Ben, first, to you

Ben Burge: No worries. As I mentioned earlier, a key component of the strategy is to make the energy service seamless, and alongside fixed broadband and mobile services. And so the focus on the organic growth strategy has been really critical to that. M&A, we don't rule it out, but certainly the core focus has been stitching it into the Telstra strategic software stack.

In terms of acquisition cost per customer relative to the other categories, I think the comment I'd make, and again, I sort of referred to it earlier is that, compared to tier two energy players, I think we've got a significant advantage on cost. And that is because we are already in those conversations, in those narrow moments that matter, when customers are thinking about the category. So it's early days at this stage, but certainly the field tests we've done indicate that we've got a significant advantage there.

Andrew Penn: Thanks, Ben. And just as I sort of hand over to Mary, just on that acquisition point, as well, I think it's worth pointing out, Ben, that our focus is as a reseller, a retailer of energy, not energy generation. So to the extent that we were to consider acquisitions, they would be on the reseller side. But as Ben says, that's not what the strategy is based on. But if there are opportunities, and that complements our strategy, then obviously, we'd be open to them but on health from a profitability point of view, you'll see when Mary speaks, and in some of her presentation already, that the health business is a combination of different services. And the really cool thing about it is Mary's done an amazing job, really bringing all of those different services together and starting to integrate them in a way which really adds value to each other.

So some of them have got software IP-based backing, and some of them are more service orientated. But I mean, essentially, you should think about that, therefore, that the sort of margins that we would expect to get over

the longer term, and bear in mind, we're still scaling, and what's important now is growth.

But the sorts of margins are going to be greater than that what we would expect to get just as a reseller of say, NBN services but not obviously, the sort of margin that we would expect to get in our mobile business as an example, because it doesn't have the same level of CapEx that goes with it as well.

And I think ultimately, the blended margin is really going to just be a function of how those different parts of the health business grow over the next period of time, but I might hand over to Mary and she might want to comment, particularly around some of the bigger parts of it. Obviously, the recent acquisition of MedicalDirector is really exciting, what we're doing in the cancer registries, Kyra, in the hospital and health management systems and electronic medical records. So Mary.

Mary Foley: Thanks, Andy, and thanks for that question, Entcho. Your question about the 80% or higher than 80% recurring revenue, as Andy indicated, it is a blend across those different market segments and the different kinds of customers we have and some of the different kinds of products and services. So some of it is a subscription model, and where an annual fee is paid, particularly for those products, such as in aged care where they're cloud based already and extensively.

On the other hand, if you're looking at electronic medical records, in hospitals, for example, or in state health systems, the customer often wants to be spending capital upfront rather than a recurring payment. But then once that initial expenditure is there, and the infrastructure of the software is there, then there are ongoing fees around professional services, around maintenance around constant updates, which you require in health to meet emerging standards, different payment models that come forward, different quality measures that have to be met and reported on.

So it's a range, but we have been steadily increasing the recurring revenue nature of our business, there will always be opportunities that, particularly in the platform growth, where there'll be very big contracts for whole of population type solutions, which then tend to have a five or more year, lifetime, with, again, upfront implementation being a big part of the fees of the first part, but ongoing support maintenance and development, because health just is not static. And so whichever model it is, a subscription model or more an upfront capital model with ongoing maintenance, it's continuously expanding and updating as health embraces more and more digital solutions to support the delivery of care.

Andrew Penn: And I think, Mary, it's also probably true to say, isn't it, just given the nature of the health system and some of these platforms and services, that once we acquire a customer, an acquirer chooses to come on to one of our platforms, that's likely to be a very, very long term relationship.

If you think about MedicalDirector as a good example, that is fundamentally the software and the technology that is the platform for a medical practice, and the whole medical practice is essentially built around that. And so that's the sort of thing that medical professionals don't change quickly or lightly, or hospitals with a hospital electronic medical record system.

And so they're really long term partnerships, to Mary's point, regardless of whether it's a subscription basis, or there's one off fees associated with it, the reality is, it's a very sticky, long-term business, which I think makes it incredibly valuable. And so Mary and the team have done an incredible job really bringing together those various different parts of it into some of the core offerings.

Mary Foley: That's true Andy, and this core, clinical digitisation of a health delivery service, whether it's in a doctor's office, or whether it's in a hospital, or whether it's in a whole group of hospitals, or integrated health systems, such as the state health system, these decisions on the core clinical platforms to use can be once in 25 year decisions. And then you build from there. Our focus is to be able to provide a total solution in these different settings, or through interoperability and modularity to be able to add to, connect or enhance investments that providers have already made in various forms of software.

Nathan Burley: Excellent. Our next question is from Eric Choi from Barrenjoey.

Eric Choi: All my questions are on health and apologies, Mary, if these are a bit basic, with just a telco analyst. But the first one on MedicalDirector, can you give us some colour on revenues today, and the sort of historic revenue growth? Just wondering if an MYOB versus Xero analogy is appropriate here and I guess how that business has been tracking against the key competitor of Best Practice. And then again, on MedicalDirector, can you just talk a bit about how that opens up the potential TAM? GPs, from what I understand, is quite an important strategic gatekeeper, I guess, to the medical sector. So if you could sort of tell us how many GPs there are in the market, sort of MedicalDirector's penetration of that, that would be helpful.

And then just last question, wondering if there's any sort of specific structural tailwinds. You can point to things I guess like cloud penetration given a helix product or maybe regulations such as sort of Department of Health, forcing more cloud adoption or anything like that. Thanks very much.

Andrew Penn: Sounds like they're all for you, Mary.

Mary Foley: Thank you, Andy, and thanks for the questions Eric. Look we're not breaking down individual numbers for each of the business unit components of Telstra Health at this stage as we speak to you all. But what we can say is that we're in the early days of our MedicalDirector acquisition, and very pleased with its strong financial performance, and with its trajectory. In terms of that issue of the total addressable market,

what it is, where it's going, and where does acquisition of MedicalDirector, where does GP practice fit into that, and where's the growth?

I think there's probably four main elements to think about there, Eric. The first is absolutely cloud and going to cloud. And there's strong impetus around cloud solutions, this is very precious health data of individual citizens. And so therefore, the additional securities and so on that a cloud offering can provide is a very important consideration in healthcare.

It also materially goes to how providers of health care, individual clinicians, particularly either in their own practice or working in a healthcare institution, are able to organise the patient care and organise their day and being able to access their patient information on their own device, when they're not actually physically present in their practice, or in a hospital, for example, is another key piece, which of course, cloud strongly enables, so very important in improving both how a clinician organises their time, and also how the right information can be with that clinician when they have to take a call about a patient at any time in any place.

So cloud has significant drivers quite apart from any future questions about any regulatory environment changes which may happen that also reinforce those benefits. So that's first, there is also still while Australia was very early, internationally for the GP to digitise and have good clinical systems on their desktop, so that's been around a long time. And of course, MedicalDirector is one of the two main providers of such systems and services.

However, there are still large parts of the health ecosystem with individual clinicians, which are still in the process of digitising, specialists, Allied Health, and so on. So there's considerable scope for expansion there.

We've also got international opportunities with MedicalDirector's products. And we're in fact, just about to have our first product launch and implementation in the NHS in the UK in the next few weeks, just by way of practical example. And the fourth area is, we talk also, as you would have seen in our videos, and so on, about because we have these deep verticals in these different parts of health and the aged care ecosystem, we are then well placed to be able to understand how to connect these pieces up to create better support and better exchange of information and collection of information around a particular patient in a particular patient's journey.

So having the general practice piece as part of this suite of knowledge and experience and expertise that we have, puts us in a position where we're more readily able to design solutions and systems that can connect up healthcare and I gave a couple of examples in my presentation that I think will be ones in the future.

For instance, general practice is very important to aged care. The connection between general practitioners and referring patients and

hospitals is another interface. And these interfaces just traditionally in any system haven't been able to speak to each other digitally or in any other way very readily.

And so there's significant growth and opportunity for what can be offered into market, what problems can be solved, often specifically commissioned by organisations that run a health system, or by governments, that this will be where the expansion will occur in relation to having a deep expertise in the delivery of doctors' desktop products.

Nathan Burley: Excellent. I feel like I'm learning a lot. Our next question is from Roger Samuel from Jefferies.

Roger Samuel: Oh, hi. Good morning all, I've got three questions. The first one is on energy. So we've seen that a lot of the tier one energy retailers are starting to sell telco products. And I'm just wondering if Telstra can sell the energy products better than the gen-tailers can sell telco products. Secondly, just on health, with energy and I understand the synergies with Telstra's core businesses, but with Telstra Health, I still struggle to understand if there's any synergies with the core business, or whether it's a standalone business, or perhaps there's an overlap with fixed enterprise.

And the third one is just on health as well. And I just want to confirm how much revenue Telstra Health is making right now. And how profitable it is because I think I understand that Telstra Health has reached a breakeven point. So when you get to $500 million in revenue by FY25, what's the margin that you can make from Telstra Health? Thank you.

Andrew Penn: Thanks very much, Roger. Well we might go to Ben on energy. And then I might just comment on, I guess, the strategic or rather the level of integration and/or how we operate the health business. And I might get Vicki to comment just on the financials that we've disclosed so far, because I can't exactly remember what we have and haven't disclosed in what level of detail, so I'll be safer if I pass to her on that, and also to Mary as well.

But Ben, do you want to comment? And I should say, Ben was being modest earlier, when he said he was involved in the energy industry, he ran Powershop, which is probably the leading digital platform for reselling energy in Australia. So he's got an incredible amount of experience. But Ben, do you want to comment on our ability to sell energy compared to the energy company's ability to sell telco?

Ben Burge: Sure. I think to the point on experience, I've considered this question from both sides of the fence. And certainly prefer to be on this side of the fence. So I think one fundamental point to make is on differentiation. So if I tried to convince customers that Telstra Energy's, electrons are somehow better quality than anyone else, I'd go to jail. So you cannot – the electrons are the electrons, the base commodity cannot – there's no differentiation in it. So it comes down to customer experience on sign-up, simplicity, customer service.

That is in stark contrast to telco. In telco, particularly in the mobile experience, you are literally purchasing a differentiated experience. And so for an energy company to ponder, am I going to go take seriously an entry into telco particularly on mobile, you've got to enter into that battle and be prepared to compete. Otherwise, you're picking up a reseller position and the thinner margin, less scope for differentiation.

So I think for us, coming from a position where we've got connectivity relationships in the home that are built upon a differentiated real experience, and then seeking to extend that to cover something like energy, I think is a much preferred position. The other factor, of course, is as the market evolves, the ability to put a customer in a position where they're able to benefit from the analytics that come from the whole of home experience. And how that can be used to improve the cost position, I think is the other advantage that I'd much prefer to be on this side of the fence than coming at it from the other angle.

Andrew Penn: Thanks very much, Ben. And it's not for me to comment on other people's businesses or industries. But I mean, all I would say is that to Ben's point is that being a provider of telecommunications services, whether in fact, we own the network, which we largely do in relation to the services that we provide, or it's the third party network, which is the case, obviously, when we're reselling NBN, the complexity of the customer relationship, and the customer service that we need to provide is very, very significant, because I think we can all appreciate just as individuals who use the internet, there are a vast range of different things that can be impacting the internet, at any point of time. A lot of them have got nothing to do with the telecommunications network, but they will manifest themselves in the customers' minds as potentially a slowness in the internet or otherwise.

And it's also become such a ubiquitous service that people are relying on these days because everybody's digitally connected, particularly when we're all working and studying from home. You're watching this over a telecommunications network right now and how you're experiencing it in the home and how your home is set up that where you've got your modem, your internal wi-fi system, all of that is everything that we deal with every single day of the week. And it's a very significant degree of complexity.

As I say, I can't necessarily compare it with energy. But I think about my internet at home a lot more, and the performance of it, a lot more than I do, frankly, about my power. My power's either on or off. That's not quite the case with the internet. But anyway, over to you – sorry, no, I was going to comment, wasn't I, in relation to the position of Health.

I mean, I think, firstly, I should say the history of our investment in Telstra Health was that pre the rollout of the NBN, Telstra was looking for new avenues for growth, in part to compensate and offset the economic headwinds from the NBN. And as you heard me say before, frankly, I think that we were actually too slow to look to turn around our core business. And we were too distracted, looking at different areas where we could

generate new growth. And T22 was very much a recognition of that. And a strategy that we developed to fundamentally really address our core business. And candidly, some of the investments we made in those other areas weren't successful.

Mary has done an outstanding job in taking the investments that were made at that time on the health side, and really brought them together and then enhanced them to provide an integrated set of solutions to an industry where the growth opportunities are frankly phenomenal, and where digitisation can provide such an incredible opportunity for growth for the reasons that Mary has said. There are synergies, and there are partnerships. So there is an association with the enterprise business.

And of course, Mary talked about the importance of medical records, so our capabilities in cybersecurity, in networks, in software, all of those we were able to apply to the health business. But the health business is run very much as a standalone business separately, unlike the energy business, which will be integrated as part of our overall proposition to our customers in the home.

But notwithstanding that it's done incredibly well. And as I say, Mary's done a great job, and we're very excited about the future for it. And we'll continue to provide the support where it makes sense and run it on a standalone basis to really enable it to grow. But Vicki, do you want to just comment on what we've disclosed in relation to revenues and breakeven and those sort of comments, and then see if there was anything else Mary wanted to add?

Vicki Brady: Absolutely. Thanks, Andy, for that, and thanks, Roger for the question. So firstly, for Telstra Health, in FY21, so this is the business prior to obviously the two very important acquisitions more recently, revenue for that business in FY21 was around $160 million. It did, during the year, hit a period of some months of breakeven. For the full year, not quite, but very, very close to breakeven, and has been on an improving trajectory, obviously, a growth business. So different guardrails and dynamics around it, but a $160 million turnover business in FY21.

We add on the two acquisitions, and as Mary spoke to, there's the organic growth in the business, which we're targeting at high teens CAGR. And then you add on the two acquisitions, which are both profitable and cash generating acquisitions. So that's the sort of shape of the health business. Mary, I might hand over to you to see if you want to add.

Mary Foley: I'll just add to both Vicki's and Andy's comments, to say that we are and always were, from the outset, an adjacency to the telco, and therefore a very different kind of business. But from sitting in the business and being involved in health care, and more recently in health care technology, and from that perspective, Telstra is a great parent company to have in terms of who it is and the investment it's been prepared to make, but also the expertise that it has; so if we need the latest on cyber security or a big data

capacity, or indeed some of the technical expertise that we might need to suddenly call on at scale.

Also, we've got full access and support from Telstra when we need it, but importantly for the development of our business, it has been important that we are not a telco, and we are about this core digitisation of clinical practice and related services in health and aged care.

Nathan Burley: Thanks, Mary. A reminder if you have a question to press star one, including for media. After these questions from investors and analysts, we will go to media. Our next question is from Lucy Huang from Bank of America.

Lucy Huang: Thanks Nathan, and thanks Andy and team. I have two questions on Health and one question on Energy. So with Health, just wondering, that kind of high teens organic growth over the coming years, which product suite or which vertical do you expect most of the growth to come from?

And then secondly, I think we talked about international expansion into the UK, so just wondering if you could give us some colour around the TAM of Australia in Telstra Health versus the potential TAM in the UK, is it a much bigger market than here?

And then just thirdly in terms of Energy with the recent customer trials, I'm just wondering if you can provide some colour on the percentage or proportion of customers that had expressed an interest in taking on an adjacent Energy product? Thanks.

Andrew Penn: Thanks Lucy. Well, we'll go to Sydney first where Mary is to take the Health ones, and then we'll come back to Melbourne, where Ben is to take the Energy ones. So over to you, Mary.

Mary Foley: Thanks Andy, and thanks Lucy for the question. All those market segments that we showed, that wheel illustration of how we've integrated around each of those segments, and then also around the connectivity between segments, means that we see growth opportunities across the board. If it's in established areas, and particularly ones where the Telstra Health businesses are well established, and over many decades, such as in aged care, or in general practice, or in pharmacies, then the growth is from being those areas well digitised – or relatively well digitised, is the new things that can be done on the basis of that level of digitisation.

In the hospital area, there's still significant parts of the hospital segments that are yet to get the full advantage of digitisation, so a tremendous upside there to actually fill that initial gap. And then you've got the wholly new kinds of services, clinical services, and the way that those clinical services deliver, that digital technologies will support.

So during COVID particularly we've seen it, is the importance of virtual care, and that's not just about telehealth; it's about how care can be delivered outside hospital walls, how people can be closely monitored and

supported, how a whole care team can be wrapped around an individual without them having to attend to a physical health care delivery location; and of course, that is just growing rapidly with the acceleration that COVID has provided.

So there's different kinds of growth across all those things. Then the other areas of growth are two-fold, and this is happening worldwide. Once health systems – and aged care, but once health systems – start to get the benefit of that core digitisation in their core day-to-day activity, immediately what those customers want – and the next questions they ask are in two areas. One is data analytics, about how can they use the data that's being better captured according to standards and so on, that means that the information comes together, and it can come together in a meaningful way around a patient for a clinician, and an institution to use when they're caring for that patient.

Then the next thing I want to know is how can they leverage that? It's not just about getting rid of that pile of paper at the end of the bed of a medical record and having it digitised, but it's then what can you do with that to use the data to better care for patients.

And the other side of it is – as we've talked about health systems generally, are very siloed between all their moving parts, so then also is how can we be interoperable? And how can we connect the care teams and the information around a patient? Whether they're presenting to their GP around an episode of illness, also in the hospital ED, or seeing the physiotherapist or whatever – how do you join all of that up? So the addressable market is rapidly evolving.

In terms of UK to Australia, health systems are about – in every OECD country certainly – how do you get health care delivered to all citizens? And how is it affordable and accessible? So to work out market sizes on anything, you just need to multiply by population; so you just take the UK population and multiply the Australian population, it gives you the market.

Andrew Penn: Thanks Mary. Ben?

Ben Burge: Yes, I'll try and triangulate a few points here. As you know, we've only just got our authorisation to go to market, so in terms of actual data on a Telstra-branded service and the uptake of that, we're yet to generate data on that.

But if I look at activities we'd done previously in a trial sense, where we've taken a third party product and essentially established like leads for it, the upshot of that activity indicates that we had a cost of acquisition per customer; that was a small fraction of what we would expect for a say, a tier two player. So the conversion rates on percentage from offer to response, etc, etc, it depends on the type of journey that a customer is in. So for example, a customer coming through a moves journey, we would expect to see a much higher conversation rate, because of the relevance and the proximity to the decision that we see in that journey.

And that's the power of the Telstra network, and the interactions that we have, I guess, is that we are already in conversation with the customer when they're thinking about the energy purchase. In less proximate journeys or interactions, we expect to see obviously lower conversion rates, but still at an advantage to a tier two retailer who doesn't have that volume of data and interactions that we generate just through our core business.

The other point I'd say is that the research on the consideration set for Telstra rated very high, but we kind of discount that because at the end of the day, the real data that matters is will the customer be prepared to make the switch in fact, rather than express an intention?

Nathan Burley: Thanks Ben. Our next question is from Brian Han from Morningstar.

Brian Han: I have two questions if I may. For the Energy business, it would be great if Telstra achieved its goal of becoming a top five retailer, but is there a metric in the core telco business that we can look at and decide whether the Energy extension was a good move? I mean, is it mobile churn, or incremental telco subscriber growth?

And my second question, Andy, is one of Telstra's strategic pillars is to be, as you guys put it, "The place you want to work," but now we have these jingoistic trending terms like "the great resignation," and "digital skills shortage," and what have you, so how does Telstra attract talent going forward in this environment? What can it offer that others can't?

Andrew Penn: Look, thanks very much, Brian. On the Energy side – I mean, I'll get Ben to comment, but in terms of the fundamental metrics of success, I think it's obviously got to be a combination of achieving scale, which we've sort of set at being a top five player, and adding positive EBITDA at an attractive margin.

And ultimately, I think though it will also add benefits to our level of customer loyalty, as well as cross-selling opportunities as well, so bringing in new customers who may not be customers of Telstra from a telco perspective, but become customers of Telstra Energy, and then gives us a greater opportunity there as well.

So I expect it to actually positively impact a number of dimensions to our overall key metrics, but I think first and foremost, the real test of the success of the initiative will be achieving scale and achieving a significant contribution to our overall EBITDA.

But Ben, I'm not sure if there's anything that you want to add to that, and what you expect to see in terms of the impact on our telco metrics as well as just the pure Energy ones.

Ben Burge: Yeah, I think the product crossover is definitely an advantage we want to see manifest in churn rates in both the telco portfolio, but also Energy, so we'd be targeting a below market churn rate.

The other thing that I think we've set ourselves as a goal is really to what extent can we make inroads into the proportion of the market that rarely switch in energy? And that's because you've got customers who just don't think about this stuff, and they haven't had another brand that they're familiar with that they can switch to. So if we're able to make inroads into that 60%-odd of the market who just either have never switched or switch only upon moving house, that'd be an enormous indicator of we're doing something right; and in the process we'd hope to see a lot of customers saving a ton of cash.

Andrew Penn: Thanks Ben. And then the second part of your question, Brian – you're right, there's a bit of jingo about some of these comments and terms around "the great resignation," and that sort of stuff, but actually, what's sitting behind it are some real issues and some significant issues. And there's no doubt that in the long term to be a successful company, particularly a successful technology company, which is ultimately what we aspire to be, providing great services for our customers, we do need to attract and retain the best talent.

Now, I'm really pleased that our level of employee engagement is already very high, and we aspire for it to be even higher; and we're seeing actually positive trends in that, certainly in the current financial year, so that's good news.

But the great resignation really is – in a way it's not surprising; I think many people globally over the last 18 months have gone through a very traumatic experience in dealing with the consequences of the restrictions that have arisen from COVID, and the need to work and study from home. And we've all experienced it; everybody on this call has experienced it, and it's had an impact in one way, shape, form or another, and it's causing people to understandably reflect on the choices that they've made – choices around career, choices around personal situations – we've got people in our team, including myself, that have been unable to visit direct family for more than 18 months, some people are choosing to take a bit of a career break to enable them to do that.

Some people are choosing to perhaps follow a different path, and it's got nothing to do with what they were doing in the past; it's just been triggered by, I think, the emotional impact of the situation we've been in.

And then of course on the digital – the skills side, many companies are obviously seeking to accelerate their digital progression in the same way that we have – Telstra. And the good news is that I think we had the foresight back in 2016, when we announced those really big investments in really establishing the technology platforms for the future, and then have extended that further through T22, so we are in really good shape on that.

But one of the key parts of our "Place you want to work," strategy, which I spoke about today, is our approach towards digital leadership, and I'm not talking about what we're actually building here – you heard about that from Kim and Nikos – but I was also talking about the mindset and the culture, and the approach that we take. Because if you need key talent in software, in data analytics, in data science, artificial intelligence, cyber security; to attract that talent you need to be operating in a particular way. So they want to work on big problems, they want to be able to work in a particular way, so agile ways of working – BizDevOps.

They want to work on architecture using APIs, which enables them to freely develop on top of the platform, so a lot of the things that we're doing are really around making Telstra an attractive place to grow and retain talent.

And then of course, we mentioned the partnership we announced the other day with Quantium, which is Australia's leading technology company in AI and data science – that's another way which we can accelerate our digital capabilities. And the cool thing is Quantium is a world leader, but it's an Australian company, and they've chosen to partner with us because we speak the same language. And we can actually bring really interesting data sets for their data scientists to work on; and that's what's actually interesting to them. So I think it's part of our strategy; the place you want to work is actually really, really important.

Nathan Burley: A quick plug: we will host a sustainability forum on the 7th of December, which Andy will talk further to, the place you want to work, as well as other ESG issues.

Our next question is from Darren Leung from Macquarie.

Darren Leung: Thank you, guys. Just two from me. The first one was I just wanted to follow up on the Health question around the margins. So above NBN, below mobiles – I'm sort of interpreting this to be in the mid-20s to early 30s. If we then start to feed this through, it looks like Telstra Health through to the FY25 targets has about 1 to 1.5% to the mid-single digits EBITDA CAGR. Can you confirm that this is correct and if it's part of your ambitions?

Andrew Penn: Was that just the one question, sorry Darren? Yes.

Darren Leung: Yeah. Sorry, that was the first question, and then the second one is an extension in this, but on Energy – and I might have missed it in an earlier question, but after marketing costs, costs of hedging – and it sounds like some of the existing Telstra customers will enjoy a little bit of price investment – is it fair for us to assume that Telstra Energy wins more of a more margin, neutral – or EBITDA neutral proposition, please? Thanks.

Andrew Penn: Thanks very much, Darren. Well look, I'll get – Vicki obviously can comment on what we've included in our outlook and financial ambitions from these businesses. But I mean, just the comment from these

strategically will be that over the longer term, absolutely we would expect the margins for the Health business to be in the range that you're talking about, Darren. I don't want to be too precise, because in a sense it depends which part of the business grows faster than another part of the business, and they do enjoy different margins depending on the nature of the underlying solution.

The other thing is I want to make sure that we don't hold back from investing in growth, because candidly, my view is that by the time we come to FY25, you will be starting to take notice of Telstra Health, certainly from a sum of the parts valuation perspective. If I look at what digital health companies trade at, and the sorts of revenue multiples that they receive when they change hands these days, it's pretty significant. So at $500 million of revenue in and of itself with the potential with going forward into the future, it's going to be an incredibly valuable business and a valuable asset.

But I think the underlying long-term margins are in sort of the range that we've just been talking about. And I think similarly with Energy, we've got to get the setup right, we've got to get the customer value proposition right, but over the longer term, again, I think it's going to add positive EBITDA – though I don't think it's going to be EBITDA neutral out by FY25; I don't think we've disclosed exactly what we expect to get from it, but I know if we get it right it's going to be a very significant value-add.

So I might pass to Vicki, if Vicki would like to comment more specifically on how these two businesses, if you like, are factored into our longer-term financial aspirations that we put out there back in September, and then just see if there's anything else that Mary and Ben want to add in terms of colour on the financials. But Vicki.

Vicki Brady: Thanks Andy, and thanks Darren, for that. Yes, so both Energy and Health are factored in to our FY25 ambitions. So as Andy just commented, I think as you think about the Health business, the sorts of range – and it's a pretty broad range, because obviously it will depend on the opportunities and the level of growth we're looking to drive at that point in time – but yes, we factored in that it will be in positive territory and be a contributor to those EBITDA growth ambitions that we have overall for Telstra.

And as Andy just commented on for Energy, again Energy, it is a resale business, so again, you would think about the margins in that business. I guess there's plenty of comparable businesses out there, but it is a resale business. But again, by FY25, it's obviously – we've got ambitions to scale it to get to that top five energy retailer space, and again, yes, you would be expecting it to be contributing in a positive way by FY25. So they are both factored into our ambitions as we look at those targets or ambitions that we communicated as part of our T25 strategy. Mary, I might see if you want to jump in.

Mary Foley: No. Look, I don't think I've got anything to add to what you've both said in terms of – just to say we've got a very clear trajectory, as we

demonstrated in the presentations, to what that means to be a $500 million revenue business by FY25, and all the parameters that go with it; and we're solidly on that pathway.

Andrew Penn: Ben?

Ben Burge: No, nothing to add.

Andrew Penn: No, I think we're good.

Nathan Burley: OK, our next question is from Mark Busuttil from JP Morgan.

Mark Busuttil: Hi guys. Just wanted to ask you about the Telstra Energy, and particularly your ambitions for that business. So you've indicated you're targeting to grow to the fifth largest retailer by '25, representing about half a million customers, so on my numbers that's less than 5% share on the east coast alone, but more importantly, probably about $100 million in EBIT at current retailer margins. So given the time and effort and risk it would take to get there, it just seems like a bit of a rounding error.

So I guess the question is, what are your longer-term ambitions for that business If you don't plan on acquiring – is Telstra Energy expected to be a peripheral part of the broader company, or do you see it becoming a more material component of the offering?

And if I could just throw in a second question – it's in a related manner – in terms of inorganic growth, newspapers had you in the data room for Powershop – obviously Ben's former workplace – but less than 1% market share. So maybe you could provide some colour about the process, what attracted you to the assets, and why you've subsequently withdrawn?

Andrew Penn: Thanks very much, Mark. I wouldn't call $100 million a rounding error, I must admit, without being in any way dismissing the underlying sentiment of your question; I realise it's a smaller number compared to our overall EBITDA, but I'm sure my collective team will know that we sweat out every last dollar that we possibly can for shareholders; and $100 million of EBITDA is actually – without confirming that's what our forecast is, but nonetheless, it's a material number.

But I think also there's a number of other dimensions to our decision on the Energy side. As you heard from Ben, we do think it adds value to our broader value proposition to our customers in the home; you heard a little bit about that from Kim as well, I think as these two core services that customers in the home really rely on; and of course their internet relies on their power obviously, and a bit of vice versa as well.

And I think one of the other people on the call raised a question about do we think we'll do a "better job of reselling energy than the energy companies that are looking to resell telco?" So there's a partly defensive play here as well, albeit that wasn't the main driver, but I think it should be noted.

And in fact, if you look over the last two to three years, there's a number of different organisations, including even the banks, who have sort of – looking to make a play in the home; and the home is a very important strategic position for us with our customers.

And we've got great relationships and great experience and history with supporting customers in the home; we've got field techs, we've got technology, we've got Smart Modems in there – you heard Kim talk about those a bit earlier as well. So we think the economics can be material, but we also think there's a lot of other strategic reasons as well. But Ben, I'm not sure again if there's anything you wanted to add to that?

Ben Burge: Yes, I think the other angle on the Energy business is how it interrelates to our climate ambitions, and Telstra itself has a massive consumption position that forms part of the basis on which we can go and do natural hedges that help us to get to our 100% renewable goal. Growing an Energy retail book further expands the options that we have available to us, so I think that's point number one.

Point number two is we don't build any of this into our core business case at this stage, but you look at the opportunities to participate in Energy, what we call the 'C&I space,' or the large Enterprise space; the market that will exist in five years' time – very different to what we've seen in the last decade.

So as sort of the value of flexibility, particularly under a five-minute spot market settlement regime, what used to work for retailers 10 years ago – really different. So we're not necessarily banking on it in our core plan, but certainly we are seeing more opportunities emerge that are based on data driven positions in market, high value attributed to flexibility, and a drive for sustainability. I mean, that's the other thing: we are not burdened by a legacy of coal and gas, and that's a big advantage for us.

Nathan Burley: Thanks Ben.

Andrew Penn: Sorry – and just on the Powershop question, without confirming whether we were or were not looking at Powershop, because I won't comment on that, but I think just because I know from Ben, I think they've got somewhere in the order of there's about 150,000 to 200,000 customers; somewhere in that order. We did touch on, in response to an earlier question around acquisitions, that our strategy's not predicated on doing an acquisition, but if they present themselves and they help us accelerate what we're looking to achieve, then we'll approach them with an open mind. But I think they've got about 150,000 to 200,000 subscribers, as best I understand.

Nathan Burley: OK. Our next question will be our last question from analysts, it comes from Rod Sleath. After that we will go to media, so a reminder to media: star one if you'd like to ask a question. But Rod, go ahead.

Rod Sleath: Fantastic. Thank you. Just a couple of quick ones, I think, firstly on Energy. Ben, I just wanted to check, will this business sit completely on the same new Telstra digital stack? So it will be employing existing IT and call centre type assets? So that's the question on Energy.

With regard to Health, Mary, I guess I'm just interested on the pre-acquisition business that was roughly break even in fiscal year '21 on the $160 million in sales – I guess I'm just interested in why that business was – I'll say it this way: only break even? I mean, if we see this was a mixture of perhaps an IT services and software business – an IT services business is services and consulting probably anywhere from 8% to 12% operating margins; software businesses obviously are much, much, much higher operating margin potential.

Could you perhaps take us through what has been holding back the profitability in those business, given that some of them have been there for quite a long time? Is it to do with a very high-level of development expense, of R&D? Or alternatively, a very high-level of marketing expense? Or potentially some contracts that perhaps should have been priced better? Could you give us a little more insight into why it's not already a more profitable business?

Andrew Penn: Thanks Rod. Do you want to go first, Ben?

Ben Burge: Yes, sure. So short answer is this is actually a great example of what the T22 API-led strategy enables. So most of the customer experience related elements of the build are being woven into the core strategic stack. There are some, call it back-end transactions, that need to occur where customers are plumbed into the energy market systems; that's obviously something quite new for Telstra, and we use components there that are new to the stack. But in terms of the core customer experience, agent experience; it's using all of those same tools. So again, the importance of getting a seamless kind of experience, not just for the customer but also for agents, reducing that burden for customers.

Nathan Burley: Mary.

Mary Foley: Short answer is: significant capital investment in our product suite. And both in the individual verticals and across verticals, and that goes for whether we acquired legacy systems that have been around and trusted for many decades, or for the new areas of virtual care and so on that are emerging, and also significant investment in R&D in terms of new models of solutions, new models of solution delivery, and so that's been quite an intense process over the last couple of years, to get us to the point where we are now where we're very confident in the products we have and we'll build from there.

Nathan Burley: Thanks Mary. We'll go to media now, and our first question is from Lucas Baird from the AFR.

Lucas Baird: Hey guys. Thanks for taking the question. I was just wondering on the skills shortage gap. I was looking at your accounts the other day and I noticed that salary costs had increased, while fulltime equivalent staff had decreased. Is that a trend that you expect to continue over the next few years as you fight to get these skilled IT professionals? And then broadly, as an industry, do you think we've reached a point where cutting the number of staff is no longer an effective way of reducing your labour costs?

Andrew Penn: Look, thanks very much Lucas. I mean there's no doubt there's going to be upward pressure, I think, on salaries and remuneration, particularly in certain sectors, digital skills in particular. It's a hot market. But what's interesting as well though, is that I don't think people are only attracted by money. They're attracted by other things as well, particularly in the digital space. The sort of organisation that they're coming to join and the culture that they're coming to join, and the culture that they're coming into is important, but also the sorts of problems that they get to work on is really important.

I was chatting with Adam, the CEO of Quantium, about this late last week, and we have more than 100 data scientists already at Telstra, and obviously they have a large number of data scientists. What's important to that talent is the types of problems and data sets that they get to come to work on which we're in a position to offer.

Also, interestingly, when we did research in relation to hybrid working, a lot of people say that actually on the margin, making a choice, increased work flexibility and the opportunity to work in a hybrid environment is more important than salary, and they'll make up some of those trade-offs as well.

So I do think there are some checks and balances in that whole equation, but I think there's no doubt there is upward pressure on remuneration. Sorry, Lucas, what was the second part of your question?

Lucas Baird: It was just, do you think we're broadly at a point in the industry where organisations can't cut costs by staff and job cuts?

Andrew Penn: Look, I think in the long term, what as a country we need to do is to continue to achieve productivity but also employment growth as well. If you get those two things working in the right direction, that's the best possible outcome for the economy.

I think obviously lots has been reported about our T22 program and the fact that we did reduce our headcount by a pretty material number, but that also has to be put in the context of a big structural change in the industry of course. 10 years ago, the NBN did not exist in Australia. In fact, even really five or six years ago, whilst it had been decided upon, it hadn't actually really rolled out.

And what the NBN is doing is actually something that Telstra used to do, and what's effectively happened is a material part of our business, which is the provision of wholesale broadband services to all operators in Australia is transferred from Telstra to the NBN, and today – I can't quite remember what NBN's headcount numbers are – but I think last time I looked it was in the order of 6,000 FTEs and probably 20,000 contractors. So you can't just look at Telstra.

And I think probably if you look at the whole telecommunications sector overall – I don't know the answer to this question, but my instincts would tell me that the employment has probably remained broadly consistent. It may have increased a bit, and I think as you look forward into the future with increasing and growing demand for telecommunications and certainly for Telstra, we're looking to grow and expand our business.

We are looking to take another half a billion dollars of cost out over the next four years, but that needs to be put against the context of taking out $2.7 billion over the last period, so it's very, very different. So I do think that we're looking towards entering into a period of growth but driving that through increased productivity and innovation.

Nathan Burley: Thanks Andy. Now I should have mentioned before, but for the media Q&A, Oliver Camplin-Warner has re-joined us in Hong Kong. So if you do have any questions for him, he's available to answer them. Our next question comes from Giles Parkinson from Renew Economy.

Giles Parkinson: Thanks everyone. Question for you, Ben, it's just the fact that 1 gigawatt of storage that you said you could apply or deploy or replenish. Just confirming this is all battery storage? It's probably a silly question to ask of a telco company, but how does that then become linked to the market so it can play into the spot market, and over what sort of timeframe do you see that being deployed?

Ben Burge: Thanks Giles. That 1 gigawatt hour that we talk about, it is batteries. As it stands, a lot of that battery asset class is not particularly conducive for the type of activity that we want to ultimately get to. But you think about the regular capital replenishment cycle that we run to over the course of say five years, we'd be looking to deploy things like lithium ion, or whatever the prevailing technology ends up being at that point in time.

In terms of how we then connect it to market participation, we've already got somewhere in the order of 70 megawatts that participates at the moment, and that is either directly as a registered market generator or a small generation aggregator if you want to get technical. Or it participates in some of the more bilateral kind of arrangements with – that can be with AEMO via what we call RERT – sorry for the acronyms for the telco analysts out there. Or in fact in some cases we even do bilateral contracts with other retailers to help them with their book coverage.

So there's many paths to market, and depending on the type and configuration of assets that we have at different sites, we'll utilise particular paths according to the most efficient way to get there.

Closing Comments

Nathan Burley: Well that brings us to the end of the Q&A. There's no more questions. I'd like to take the opportunity to thank everyone that's joined on the line today for your interest in our business. But before we close, I'll hand over to Andy for any final comments.

Andrew Penn: Thanks very much, Nathan. Well just to repeat Nathan's thanks, we really enjoy the opportunity to better engage and share a little bit more about the business. It's been a big few months for us obviously with the launch of T25. I think the fact that we were able to launch it in September to really provide a strong transition period from T22 is a measure of the success with which we were able to execute on, on T22, and we're going to take exactly the same approach, the same sort of discipline, the same sort of commitments, the scorecards, the metrics, the transparency, the reporting that we took on T22 and we're going to apply that to T25.

But the exciting thing is I think for all of us as a team, it's about very much leveraging the capabilities that we've built, and looking forward into a period where we're coming out from under the shadow of that NBN economic and operational headwind, and can really look to drive some attractive growth and returns and value for our shareholders, but most importantly some brilliant customer experiences for our customers and the place to work for our people.

So thank you very much, and I guess the next time we'll connect in this type of context will be at our half-year results in February, and hope to be able to do that face to face. But in the meantime, we wish everybody well for the end of the calendar year and for a great upcoming holiday season, and a bit of rest and relaxation which everybody deserves, so thank you.