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The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra's Investor Day 2021 – briefing transcript & correction to CEO speech

I attach a copy of the transcript from the briefing held yesterday in relation to Telstra's Investor Day, for release to the market. This lodgement includes a correction to figures quoted on page 8 of the CEO's Investor Day speech lodged with the ASX yesterday in relation to our absolute emissions and our progress against our renewable target (see page 7 of the attached transcript).

Authorised for lodgement by:

Sue Laver
Company Secretary

Introduction

Nathan Burley: Good morning. Welcome to Telstra's Investor Day to announce our strategy for the future, T25.

My name is Nathan Burley, Head of Investor Relations. I'm joining you today from Naarm, also known as Melbourne 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.

Video: We acknowledge the lands of the traditional custodians across Country. From the Noongar peoples in the west, to the Kulin and Kurnai Nations of the south, and the clans of the Nipaluna. To the Ngunnawal peoples, and the sunrise peoples of the Gadigal and Worimi of the east, to the Jagera, Turrbal, and Bindal peoples of the north, and we pay our deep respects to them. To their wisdom keepers of the past, to the knowledge holders and seekers of today, and our future custodians. Our lands nurture us as we continue the connection and our spirituality with Country.

Nathan Burley: This morning, we will firstly hear from our CEO Andy Penn who will outline our new strategy, this will then be followed by deep dives on Consumer and Small Business and Enterprise strategies from Group Executives, Michael Ackland and David Burns. We'll then take a short break before a deep dive presentation on infrastructure from Telstra InfraCo CEO Brendon Riley and finally our CFO Vicki Brady will talk to our financial strategy. We'll then take questions from analysts and investors and then media. I will now hand over to Andy Penn.

Presentation from Andrew Penn

Andrew Penn: Thank you very much, Nathan, and welcome everyone and thank you for joining us today. Can I firstly start by saying I sincerely hope everybody is continuing to stay safe and strong during these very difficult times and I'm disappointed that this is another event we have had to hold virtually. We certainly miss the opportunity to catch up with you face to face particularly on key strategic topics such as today's announcement. Nonetheless, this is a very exciting day for Telstra as we announce what comes after T22.

T22 has been a defining strategy for us. It's been ubiquitously in our narrative for the last few years. It has guided every strategic decision we have made. So it's quite the moment today for us to be sharing with you what will be succeeding it, what comes next.

We launched T22 just over three years ago to fundamentally transform and radically simplify Telstra. It was at a time when we absolutely needed to change. It built on the foundational investments that we announced in 2016 to digitise our business and to build the networks of the future. Through T22, we have transformed Telstra and today, three years into what has arguably been the largest, fastest and most ambitious transformation of a telco company globally, we're a vastly different company. Through T22 we have set up Telstra to play a leading role in accelerating the digital economy. In a more connected world, a world where everybody and every business is spending more and more time online.

Today, I'm very excited to announce what comes next, what comes after T22. The answer to that question is T25. A new strategy. A new strategy to accelerate growth from our core and to scale our new businesses. A new strategy to further enhance customer experience and respond to the permanent shifts that we are seeing in how people work and live. A new strategy to capitalise on the establishment of InfraCo and the changes to our company to create a more contemporary structure for the future. If T22 was a strategy of necessity, T25 is a strategy for growth and in its implementation we will be using exactly the same disciplines and governance that we used for T22. The metrics and milestones, the road maps and scorecard. And this is why I am confident it will be a success. Why change a winning formula when you don't need to? And when we have delivered T25 we will be a vastly different company again.

Let me share with you the details of it now.

Ultimately, we believe that it is people who give purpose to our technology. So we're committed to staying close to our customers and providing them the best experience and delivering the best technology all on the best network. Because our purpose is to build a connected future so everyone can thrive. It's a purpose that is underpinned by our values. Our values which guide everything that we do and how we approach the decisions we make. And they will be the underlying principles for how we will deliver T25. We make it simple, we care, we are better together and we are the changemakers.

T22 was very much about being changemakers as we knew we needed to take a radically different and ambitious approach to achieve the scale of transformation that we have. T25 will take this to the next level. Like T22, T25 is built around four key strategic pillars.

Firstly, to provide an exceptional customer experience you can count on. If T22 in the last several years has taught us anything, particularly as we have navigated the migration to the NBN and responded to the consequences of COVID, it is that providing a better customer experience is our number one objective. Nothing is more important than continuing to improve customer experience and this sits at the very heart of our T25 strategy leveraging the capabilities we have built.

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 never more has this been more important than today in a world of rapid digital adoption. As new technologies continue to evolve including 5G and eventually 6G, satellite and Cloud, Edge compute, the traditional worlds of telecommunications and compute technology are blurring. And this is creating exciting opportunities and solutions that we will continue to lead in bringing to customers and of course, and as always, bringing them to customers on Australia's best and biggest network.

The third pillar is to create sustained growth and value for our shareholders. As we move forward from the period of the transition to the NBN, and out from underneath that economic headwind, the significant interventions that we have made in turning our business around and taking cost out are now starting to flow through to our bottom line. This will enable us to increase underlying EBITDA, ROIC and earnings per share and with strong cash flow generation and opportunities ahead to monetise assets, we will focus on maximising our franked dividend and seeking to grow it over time, investing for growth and returning excess cashflow to shareholders.

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 be a leader in doing business responsibly.

So these are the four pillars that set the direction for Telstra under our T25 strategy. It is a strategy created to deliver the things 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. It is a strategy focused firmly on taking customer experience to a whole new level and it is a strategy that is focused on growth. And ultimately, it is a strategy to leverage the capabilities that we have built under T22. In the same way that T22 would not have been possible without the foundational investment we announced in 2016, T25 would not have been possible without all we have accomplished in T22.

We will deliver T25 through our five key businesses - Consumer and Small Business, Enterprise, New Markets which comprises Energy and Health, International and Infrastructure. The four pillars of our T25 strategy will guide the strategy for each of our businesses whilst each will also have its own ambition reflecting the place it is at and the opportunities that it has ahead.

For Consumers and Small Business, our ambition is to leverage our new simplified, digitised and in-source platform to create brilliant experiences and enable our customers to work, learn and play. You will hear more from Michael Ackland today about how we will achieve that.

For our Enterprise business our ambition is deliver profitable growth and value by connecting our customers with Australia's most trusted and secure technologies and services. This builds on our ambition to deliver overall revenue and EBITDA growth across Mobile, Fixed and International this financial year and today David Burns will take you through this in more detail.

For our New Markets our ambition is simple, to grow our Health and Energy businesses profitably and to scale. We're very excited by these opportunities and convinced on their strategic direction but we also know we need to increase their economic significance to the value of Telstra.

For International, our ambition is to deliver profitable growth and value by leveraging the growing strategic significance of our international network. There's no doubt that with rapid digital adoption and the changing geopolitical landscape, the importance of our international assets has taken on a whole new complexion.

We plan to hold a second investor day on 16 November this year at which we will cover Health, Energy and International as well as give you a deep dive into what we're doing in Product, Technology and Networks and the place you want to work pillar.

Finally, our infrastructure business where our ambition is to improve access and utilisation for our infrastructure and wholesale customers and to deliver growth and value and enhance monetisation opportunities and you're going to hear further from Brendon Riley today on InfraCo.

Let me describe the T25 strategic pillars in more detail. Firstly, our strategy to provide an exceptional customer experience you can count on. We have already much improved episode NPS, strategic NPS, and significantly reduced the number of calls coming into our contact centres. However, we have yet to benefit from the full experience and benefits that flow from the changes we have made and this going to give us some positive tail winds in customer experience as we move into T25. Notwithstanding this we do have some migration initiatives to get through and I know we do not always get it right so we need to take customer experience to a whole new level.

So, what does that mean? It means make it even easier for our customers to engage with us and getting to a point where for over 90% of customer service requirements they only need to engage with us once and it's done. No more interactions just once and done. It means a fully integrated channel experience so customers can engage with us and meet their service needs in the channel of their choice. Whatever their service requirement, we can meet it online, in our stores or through our contact centres, whichever way the customer chooses. It means using technology, AI and analytics to provide customers with a more personalised experience in products and services and to be more predictive of issues and resolve these before the customers even know they are happening. Customers will be able to call us and speak to an Australian contact centre rep or visit a local expert in our Telstra-owned store network because our customer experience is going to become even more localised.

It means scaling our Telstra Plus program which already has 3.5 million customers and expanding into a full sales and marketing channel to rival the best rewards programs in Australia. We will do this by leveraging our many relationships with Australia's largest enterprises and partnering with small businesses to create greater reach into local markets and more rewards for our customers. It's a huge opportunity and we are targeting 6 million Telstra Plus members by FY25, making it one of the largest rewards programs in the country.

For our Enterprise customers it means delivering business outcomes with telecommunication products, Edge compute, security and AI delivered and managed as an integrated service all through Telstra Purple. The pervasiveness of technology in businesses today and its ability to transform them no longer means that one size or one solution fits all.

Enterprise customers want tailored technology solutions to solve their most pressing operational business problems and opportunities. And to meet this need, we have structured our Enterprise business to have a greater industry alignment with technology experts in specific industries providing scalable industry-specific solutions. For our Enterprise customers it means getting the level of support and engagement just right more than 90% of the time as their needs change. For our infrastructure and wholesale customers, it means improved access to our assets and an improved and more digitised service experience. With all of these improvements we intend to maintain the discipline that we introduced in T22, ensuring our products and services remain simple and easy to use and we intend to more than halve the number of customer complaints.

Pillar two of our T25 strategy is focused on leading network and technology solutions that deliver your future. There is no doubt we are continuing to see rapid technology adoption and innovation. This is manifesting as a convergence between core telecommunications technology and software-based technology solutions. What this means is that Telstra not only needs to continue to lead in telecommunications technology with the best networks but also increasingly lead in the role that software plays in orchestrating and managing the network and integrating applications and services for customer solutions.

Under T25 we will continue to invest in our network leadership in 5G with 95% population coverage and 80% of all mobile network traffic being on 5G by FY25. We also plan to double the number of metro sites leveraging small cell technologies to further densify and add capacity to the network and we will add at least another 100,000 square kilometers of mobile coverage to our national footprint to support regional and remote customers. By FY24 we will have extended our 4G coverage to 100% of our network footprint enabling us to continue to lead in composite coverage, speed and performance for 4G and 5G as we move to close 3G. This will set us up well for the early planning on 6G which will be on the agenda for discussion by the end of our T25 program.

We will also continue to lead and differentiate in fixed. The NBN may be fully rolled out however not all NBN fixed services are the same. How we connect and how we assure customers will be differentiated and their in-home experience will be significantly enhanced as we leverage capabilities such as the Telstra smart modem, Telstra TV, our Wi-Fi Doctor and other capabilities we have in the pipeline to improve the experience in the home.

We will also leverage these for our energy customers and with smart meters we will be providing a wholistic in-home solution. Increasingly, however, it's not just the physical network where we can differentiate. Historically, the key aspects of functionality in telecommunications networks have been relatively static, but with software we can increasingly dynamically manage this. Automation and artificial intelligence also enables us to deploy predictive and self-managing functionality to the network orchestration layer and increasingly manage the network in a way that becomes agnostic to the technology access type.

I know there is lot of tech speak in all of this but these are incredibly important capabilities and we have been investing in building them. To net it out though, what it means at a practical level is we will increasingly be able to dynamically manage to key aspect of network experience which are- capacity, speed and latency, security and resiliency. Historically, these key aspects of functionality have been typically set up front for a particular service, a technology or a customer and thereafter have been hard to change. We can also now increasingly empower our customers to do this themselves and therefore they will be able to manage their workloads. In being able to dynamically manage them therefore, we can differentiate and tailor services around customers, products and industries, the key to increasing our ability to monetise. You're going to hear more about how we're going to do that from Michael and David in their presentations.

Finally, by using a more distributed architecture and moving more workloads to the Edge with Cloud, and in conjunction with this dynamic approach I have mentioned to network management, we will enhance resilience for customers by creating smaller blast zones in the event of an issue. To put it simply, if one part of the network goes down or is impacted, the network automatically reconfigures to ensure the smallest possible number of customers and services are affected.

Our third pillar is built around sustained growth and value for shareholders. At our recent financial year 21 full year results announcement we were able to demonstrate how we have reached a turning point in our financial trajectory. Through the many initiatives under our T22 program and as we come out from under the shadow of the NBN economic head wind, we demonstrated how our underlying EBITDA grew in the second a half of FY21 compared to the first half and how we expect it to continue to grow. T25 will build on this and Vicki will take you through our financial strategy a bit later.

But in summary, our focus is firstly to build financial momentum across the portfolio to deliver growth particularly through growing mobile services revenue, improving fixed profitability, turning around Enterprise, building profitable scale in our businesses in our new markets. Secondly, to deliver a further half a billion dollars of cost reductions from FY23 to FY25 on top of the $2.7 billion dollars we have already committed for T22 while at the same time investing for growth. Thirdly, by focusing on cash conversion and generation ahead of net profit, fourthly, through continued active portfolio management to unlock value and manage the balance sheet this will increase exploring future monetisation opportunities for InfraCo fixed and fifthly and finally by creating value for shareholders through capital management framework we have updated and simplified.

Before I talk to our finance ambitions let me comment on the progress we are making on the restructure which is obviously an important pre- curser to potential monetisation. The restructure of Telstra with a new holding company and four key subsidiaries, InfraCo Fixed, Amplitel or InfraCo Towers, Telstra Limited or ServeCo and Telstra International is the key final step in our T22 commitment to establish a stand-alone infrastructure business to drive performance and set up optionality post the rollout of the NBN. We are seeking to implement the restructure through a shareholder and court-approved scheme of arrangement.

All steps in the restructure process are progressing well and we are optimistic of finalising it before the end of FY22 with the scheme meeting likely early next year. This will position us well to consider monetisation opportunities as part of our T25 strategy that we have announced today. We also know the government is considering appropriate amendments to the relevant Commonwealth legislation, so it reflects our new structure once it is implemented. In making these changes the government is applying a principle of regulatory equivalence, that is to say that the regulatory obligations that apply currently to Telstra would apply to the entities in the corporate group in effectively the same way.

So with these initiatives, our financial ambitions are to deliver underlying EBITDA of $7.5-8 billion in FY23 on top of the guidance this year of $7-7.3 billion and to continue to grow underlying EBITDA out to FY25 achieving a mid-single digit EBITDA CAGR for the whole of the period of T25. To get underlying ROIC to around 8% by FY23 and grow it beyond then. To deliver high-teens EPS CAGR from FY21 to FY25 to support our ambition to maximise a fully-franked dividend and seek to grow it over time. And finally, to deploy excess cashflow beyond the fully-franked dividend into future growth opportunities and returning excess cash to shareholders.

As I mentioned a moment ago, Vicki will take you through our financial strategy and ambitions a bit later. But as you can see, they are transparent, they are bold and they will deliver significant value for shareholders.

With that, let me now turn to the fourth pillar of our T25 strategy which is about building the place you want to work. There is no doubt that the experience over the last 18 months with COVID has completely turned work on its head. In such a short space of time it has transformed how we thing about the way we work and about where we work, it has even caused us to think about why we work, and who we work for, what values do they hold? What role do they play in society? What opportunities do they offer me as an individual to make an impact? I firmly believe that the companies of the future that will be successful and the companies that will attract, retain and motivate and inspire the best talent will be those that can embrace the change around us and use it as a catalyst to create the place people want to work.

There are essentially three ways we will bring this to live at Telstra through T25: by excelling in new ways of working, by accelerating digital leadership and by doing business responsibly.

Firstly, excelling in new ways of working. Through T22 we have moved almost 17,000 people to now be working in agile and we now have the largest at-scale agile workforce in the country. With T25 we will further evolve our agile at scale approach targeting more than 70% of our agile teams to be at level four maturity by 2025. We will also enhance our approach to talent acquisition, mobility and career management as we embrace the flexibility enabled by new hybrid ways of working. There is no going back to the way it was pre-COVID and we have already implemented a number of initiatives to further enhance flexibility at Telstra such as location agnostic contracts and flexibility for the overwhelming majority of our people to work virtually. Through these initiatives we plan to take our already high employee engagement scores to a whole new level targeting top decile by FY25.

The second aspect of the place you want to work is digital leadership. Now, I've already spoken to our strategy for leading network and technology solutions that deliver your future. That is about the underlying technology. What I'm talking about here is the digital mindset we need to bring to that technology and our ways of working. Because as we become more of a technology led company and our requirements to continue to build new capabilities in new areas such as software development, data analytics and artificial intelligence increases we also need to increase our attractiveness as the place to work for this type of talent. There are four elements to our approach to digital leadership.

Firstly, we will lead with a digital-first and data-driven mindset and by 2025 we will have 100% of our key business processes enhanced by AI. Secondly, we will embed digital ways of working such as expanding our use of Biz Dev Ops and build our digital skills in software and data. Thirdly, we will focus on delivering an outstanding developer experience and digital partnerships. And finally our approach to digital infrastructure will be Cloud-based with a decoupled architecture using APIs to increase speed to market and improve efficiency. We expect to have 100% of key business applications using API architecture and 90% of applications on the public Cloud infrastructure by 2025. We will talk more about that in our second investor day in November highlighting the first APIs we are focusing on.

The third and final aspect of the place you want to work is the stance we take on doing business responsibly. There is no doubt that community expectations of what this mean have changed and big businesses, including Telstra, have some way to go in building and maintaining trust with the communities in which they operate.

Also, key talent want to work for companies that have a strong focus on sustainability and this is only going to increase over the period of our T25 strategy. For Telstra there are many aspects to this but there are three I want to focus on that are key.

First and foremost it's about having trusted operations. This goes to every aspect of our business. From making sure our sales practices are appropriate to ensuring our supply chains are ethically based. From making sure our products, services and contracts are fair and inclusive to ensuring we support vulnerable customers, from being there for our communities through natural disasters providing them support and for our customers and communities through the impact of COVID as we have done and from ensuring our suppliers do not exploit their workers to ensuring our workplace and remuneration systems for our people are fair, transparent and supportive.

The second is the actions we take in relation to the environment. In many ways, as the provider of the largest platform for the digital economy in Australia, we are already making a very positive impact by enabling many businesses to move to doing things digitally that they had previously been doing physically. The flip side of this however, is that it drives enormous amount of extra traffic on to our network and that in turn increases our power consumption and puts pressure on our environmental footprint.

We have therefore set ourselves very clear and ambitious climate goals to reduce our absolute emissions by 50% by 2030, to enable renewable energy generation equivalent to 100% of our consumption by 2025 and to be carbon neutral. We’ve already made good progress reducing our absolute emissions by 11%, enabling three major renewable projects in solar and wind farms that get us to 34%[1] of our renewable target and by being Australia's largest certified carbon-neutral company.

The final aspect of doing business responsibly is the role that we play in supporting digital inclusion. Down through history, it has been the case that in every significant technological leap forward those that can least afford to be left behind are those that are left behind. So too has this been the case with

[1] Verbatim 50%. Note speech lodged with ASX on 16 September incorrectly included “We have already made good progress reducing our absolute emissions by 16%, enabling three major renewable projects in solar and wind farms that get us 50% of the way towards our target…”

the digital economy and that has only been exacerbated by the increased digital adoption necessary in response to COVID. Whilst the government has provided many support initiatives to help people during COVID, access to many of these benefits is hampered if you are not digitally included. And also if you were alone and feeling isolated before COVID, the restrictions now in place mean your situation has only worsened, particularly if you are digitally excluded. It is beholden on us to ensure that everybody is included, to ensure everybody can enjoy the benefits of being connected.

Our digital inclusion index tells us too many Australians are facing real barriers to online participation, barriers that include accessibility, affordability and digital literacy. This is particularly the case for regional and remote Australians. Clearly there is more important work to do here and we are committed to playing an active role through a range of programs including significant investments we are making in regional Australia, launching a satellite service in FY23, connecting 1 million customers in vulnerable circumstances and building the digital skills for more than half a million Australians.

So these are the four pillars that set our overall ambition and strategic direction under T25 – to provide an exceptional customer experience you can count on, to provide the leading network and technology solutions that deliver your future, create sustained growth and value for shareholders and be the place you want to work.

And just as we did through T22, we have also established a scorecard that lays out the key milestones and metrics that underpin these pillars. We chose how we plan to keep track of our progress and how we will hold ourselves to account. It is ambitious in its breadth and depth and like T22 we may not hit every measure 100% but I would much rather be bold and clear about the aspirations that we have.

I won't go through this in detail now because when you hear from Michael, David and Brendon shortly, you will see at the end of each of their presentations how they plan to deliver the key metrics on this scorecard. What I will say though is that we are committed to holding ourselves to account and delivering T25 and we are going to be very transparent with you about the progress we are making and we will update the scorecard and share it with you at every results presentation.

But first we must finish the job on T22 because without it, many of the initiatives that I have outlined this morning will not be possible.

When we launched T22 in June 2018, we knew we had to act more boldly. It is clear in my mind that initially we did not respond quickly or significantly enough to the reality of the impact of the NBN on Telstra. Before T22 we were not focused enough on transforming and improving our core business to mitigate this. We were too dependent on investments outside of the core. But we have addressed this and addressed it very clearly and our T22 program has been a clear success.

We have radically simplified our business, reducing the number of Consumer and Small Business in-market plans from 1,800 to 20. We have reduced the number of calls to our call centres by more than two thirds and are well progressed in our strategy to bring these back onshore and licensee stores in-house. We cut our workforce by one-third reducing direct and indirect head count by more than 25,000. We have removed on average four layers of management, we delivered cost reductions of $2.3 billion and we are on track to deliver our T22 productivity target of $2.7 billion by the end of this financial year.

We have repositioned our investments in Foxtel and Telstra Ventures and we have improved the performance of our Health business which is now strategically very well positioned for the future.

We have successfully established InfraCo and are progressing our corporate restructure. We have monetised over $2 billion of assets, further strengthened our balance sheet and completed the $2.8 billion towers deal from which we announced an on-market share buyback of up to $1.35 billion. We have taken a leadership position on climate change and the environment and importantly through all of this change we have seen positive movements in the way our customers and employees view us.

Finishing the job on T22 is critically important over the next nine months and for us it means progressing our digitisation and customer migration to new technology stack, completing the group restructure to drive value from InfraCo whilst preserving Telstra's core differentiation, extending leadership in 5G and consolidating our position as Australia's largest 5G network provider, delivering overall Enterprise revenue and EBITDA growth and restoring financial momentum to our Enterprise business, launching a new energy business, growing services and deeper relationships with customers through Telstra Plus and delivering on our net cost productivity target of $2.7 billion.

With that, let me close. This is an important day, an incredibly exciting day for all of us at Telstra as we announce our plans to transition from transformation to growth, from T22 to T25. From a strategy we had to do, to a strategy we want to do. It's a strategy that builds on the strong foundations we have built over the last three years and remains focused on what matters most, our customers, our people, our shareholders and on supporting the creation of a vibrant digital economy in Australia. It is an exciting strategy to meet an exciting future. As I said in my opening, Telstra is a vastly different company to that which it was four years ago.

With T25, we will be a vastly different company again. It will be a vastly different company for our customers who will have access to ultra-convenient personalised right first time experiences which are 100% digitally enabled. We will be a vastly different company because our diversified portfolio will deliver growth in revenue, EBITDA and EPS as we seek to grow dividends. We will be a vastly different company because the seeds of our investment in energy and health will see these new businesses growing profitably at scale. We will be a vastly different company again because of the world-class returns and value we are driving from our infrastructure businesses. We will be a vastly different company again because of our network leadership with 95% 5G population coverage and a densified small cell network and expanded regional coverage. We will be a vastly different company because of leading technology and network solutions delivering for customers' futures and we will be a vastly different company again because of our focus on costs will see a further half a billion dollars worth of costs out and industry-leading cost measures. And finally, we will be a vastly different company again because we will be the place you want to work with Australia's largest agile at scale workforce, flexible location-agnostic future ways of working, a workforce defined by its culture of digital leadership and doing business responsibly.

I will now hand over to Michael Ackland who is going to take you on a deep dive into our Consumer and Small Business strategy. Before I do so, in the sequence we will share a video with you as I wrap up. Thank you very much.

Video: Rapid advances in technology help keep us connected in new and different ways. The pandemic has also accelerated the use of new technology as people's lives have moved more and more online. People now expect instant, ultra-convenient experiences that give them what they want. When and how they want it. They expect more personal and localised services that predict their needs and solve issues long before they become a problem. Use of data, AI and machine learning will deliver experiences that make people's lives better. Businesses and governments will rely more and more on secure on-demand solutions that can scale on first-class networks. Cloud-based technology, 5G, Edge computing and other new technologies will help companies and developers innovate faster.

How people work is changing too. The places people want to work will support working from anywhere, any time with the right digital tools and practices. Communities now also expect companies to play a bigger role in building a more sustainable, fairer and inclusive society. They seek out those driven by such a purpose and values that support this ambition. Our T22 strategy has been about simplifying the way we do business, improving customer experiences, reducing our cost base, making us a more agile organisation and has driven progress on our Telstra InfraCo plans. Now we have these foundations we're ready to take advantage of the big changes in disruption around us to deliver a better digital future. A connected future where everyone can thrive.

Presentation from Michael Ackland

Michael Ackland: Thanks, Andy. It's a pleasure to announce the next stage of our strategy for Consumer and Small Business customers. There's no doubt the past 18 months have seen a fundamental change in technology use and connectivity has never been more important to how we work, learn and play. Our ambition is to deliver profitable growth and value by creating brilliant experiences. Experiences that keep us connected would the ones we love, enable us to be entertained, be educated, be employed, run businesses and access the goods and services that we need. T22 has set the foundation for what we will deliver in T25. We think about our next ambition through the lens of six building blocks. I'll take you through each in more detail.

But at t a high level, we will transform how we engage by deepening our local expertise, building deeper relationships and trust with local communities across the country. We will help Australians get the most out of their connectivity by continuing to lead with our world-class network and leading the market on how customers can access it. We will be a trusted partner in the home and business, bringing together everything our customers need and giving businesses the tools to grow in the digital economy. We will leverage Telstra Plus to bring a new ecosystem of value for our members. We will establish Telstra as a full service tech retailer, the destination for all your technology needs. And finally, we will expand our multi-brand reach through more partnerships being in more places for more customers.

Before we get into the detail of the new strategy, I wanted to briefly reflect on the achievements delivered through T22. We've radically simplified our core connectivity products from 1800 to 20 in-market plans with more than 8.5 million services now on those new plans. Our new technology stack is at scale with over 50% of sales and 100% of our frontline teams active on the new platform. We launched and grew Telstra Plus to more than 3.5 million members. We have transformed how we serve our customers, 70% of service interactions are now delivered digitally up from 40, we've reduced our inbound calls by two-thirds, and this enables us to answer 100% of the calls in Australia. We're well progressed on bringing our retail store network inhouse and lastly, we've continued to invest in leading network experiences with over 1.6 million 5G devices and 2.3 million smart modems connected to the network.

Our ambition is to deliver growth and value and our T22 foundations have put us in a position to do just that. Our mobile business has been radically transformed. We now have a simple portfolio with no back book. The head winds of excess data removal and device subsidies have gone and we have a clear path for value and growth across all our brands. For home and business internet, NBN headwinds are also now largely behind us and we have a pathway for margin growth as a lean NBN reseller. We see growth in fixed wireless and scale in our energy retail business. T22 was the investment phase for T Plus+. Through T25 we will move strongly into the value realisation as the program matures and we expand on the ecosystem. Our strategy is to grow hardware margin, now that subsidies and bundling are gone and we'll capture more value through hardware life cycle enabled in part by in-sourcing our stores. And finally our focus on simplification, digitisation and operational discipline will remain critical, not only to delivering cost outcomes but importantly customer outcomes.

Now, returning to the first of the building blocks which we believe will deliver our ambition. The first is to create more personalised experiences for our customers as well as more local interactions. Whether you're in the city, a regional town or live more remotely, connection and local community has never been more important. There is nothing like locals helping locals. We've achieved lot in our T22 program to improve the customer experience. Transactions on the new technology stack are simpler and faster, we are well progressed on the migration of consumer mobile customers to the new digital stack. By mid next year all voice calls will be answered in Australia and in-sourcing our stores will provide integrated experience across our retail network and we'll continue to focus on responsible business by doing the best for our customers no matter where they live but we know we have to do more.

We're accelerating the shift to more personalised and locally delivered experiences. Whatever the need, customers will get had same seamless service in store, on the phone or online. We're rolling out diagnostics to solve customer problems before they know they have one. With stores in-sourced and our agent at home program we'll be create integrated experiences across stores and contact centres. Agent at home will allow us to leverage talent pools across rural and regional Australia and make our service more resilient. We'll provide more industry expertise for Australian small businesses and a larger support presence. But more on that later.

Critical to deepening our local expertise will be transforming our frontline culture and capability, leveraging our Future Ready program and deepening relationships with key community stakeholders. We know connectivity plays an essential social role in social inclusion. As Andy said, we have committed to building digital literacy skills for an additional half a million Australians by 2025. Lastly, we will be integrating more customer insights and data to deliver real time next-best experiences to optimise how we support customers across all channels. There are three ways in which we'll measure our success – achieve once and done more than 90% of the time by 2025, right first time and second time perfect. We want to make sure you only need to ask once and get to what needs to be done, done. We're going to lift our strategic NPS by at least 25 points and halve complaints by 2025.

Secondly, helping Australians get the most out of their connectivity, at home or at work or on the go. This starts with us having the best connectivity experiences available. We have the best mobile network, we have the largest 4G and 5G coverage bringing faster speeds to more Australians across metro, regional and rural Australia. We are committed to maintaining this lead in fact our gap to competitors has been widening in the last few months. By 2025 we expect to have 80% of mobile traffic on our 5G network. A network that delivers better experiences in entertainment, working and learning. We lead the ACCC ranking for average NBN download speeds excluding underperforming and impaired services. We're in the number one spot in the Netflix speed index. Supported by world leading network management, self-healing, proactive fault detection and experience optimisation enabled by realtime AI, a network you can feel safe using, secured from the core all the way to your end device. This will deliver leading reliability and resilience when it matters. This means our customers get the best performance at home, at work and on the go.

We'll also change the way our customers buy and access these connectivity services. Historically, we've monetised through excess data and data inclusions. In fixed, we're seeing monetisation of speeds and in mobile we've included 5G in our top three plan tiers. David will talk about how we're monetising 5G through Adaptive Mobility. Through our leadership in network we'll continue to deliver value and growth by creating experiences rooted in how customers use connectivity. Planned tiers optimise to work from home, gaming or streaming and prioritisation to ensure you get performance when it matters. We'll move towards a more technology agnostic approach, talking less about complex industry jargon like FTTN and HFC and mid band and mmWave and focus on using the best technology available for customers to deliver the service they want, whether NBN, 4G or 5G.

And finally, there is an increasing array of connected devices away from handsets and tables, to wearables to AR and appliances, which create the opportunity for a unique and optimised correction. Ultimately this will create value. Both from service revenue growth in mobile and from a growing and profitable home and business internet proposition. Now, to being a trusted partner in the home and for businesses. Our homes are becoming more mixed use and multigenerational. Increasingly, our home is where we learn, our children learn, where we go to work or run a business. It is not just about an Internet connection it is about an increasing number of devices requiring connectivity and a range of different services and how they work together seamlessly. Getting the basics right is critical. Our ambition is to make products and services that are more plug and play and simpler products that just work. We already have a strong presence in the home through existing assets like smart modem powering reliable Wi-Fi and enabling smart diagnostics through Wi-Fi Doctor. Our NPS for smart modem customers is 18 points higher than those without one.

Telstra TV is aggregating all your favourites streaming services be it Netflix, ABC iView or Binge – delivering universal search and the best streaming experience on your own big screen. Our partnership with Foxtel complements this well and we have been instrumental in lifting Foxtel streaming subscriber numbers with almost 1.1 million on Kayo and over 800,000 on Binge since it launched. The need for support across the home ecosystem remains even for tech-savvy customers. We want to be there to set up, optimise and manage all the tech in your home, delivering through local presence, enhanced personalised support is key to unlocking the power of technology for more Australians.

Energy and smart energy management will form part of this integrated proposition and we believe will help us be a top five energy retailer in Australia. With these connected experiences across entertainment, energy, tech support and security, we expect to see an increase in services per household.

For our small business customers, the ability to compete in a digital economy was important, it's now urgent. Whether you're a hardware store owner, a barista or farmer, being successful in the digital world is essential. We want to be there for small businesses and be the trusted partner making it all work together therefore we will continue to expand our offering. We're standing up an integrated suite of serves with leading partners which will bring to market through our Go Digital professional consult process, this includes ICT serves like standardised IT support, cyber security including Harmony by checkpoint, digital customer engagement e.g. digital marketing support, accounting tools like MYOB as well as professional and managed services.

We're investing in our people capability to support this from Telstra Business Technology Centres to thousands of accredited trained experts across our retail network and dedicated connection managers to support customers as they transition their fixed connectivity. But critical to delivering more for these customers is completing digitisation for small business. Resolving the issues getting in the way of customers becoming digitally active. Our ambition is for at least 50% of our small business customers to be fully digitally active by 2025. This will be critical to unlocking our target to double our small business apps and services revenue by 2025.

Now before we go on to the next section we'll play a short video about Telstra Plus an important element of our future ambition.

Video: Two years ago we launched Telstra Plus as part of T22 as a way to reward our customers. Now, more than half of our 3.5 million members are actively engaged in the program, redeeming more than a million rewards. The difference it's making to our customer experience is clear. Telstra Plus members rate us on NPS 18 points higher than non-members. Now with T25, Telstra Plus will expand to rival the best rewards programs in Australia today. We will then use predictive capabilities to personalise offers based on what our customers are interested in and local to where they live. With this, we will be able to help businesses grow in their local markets, we will also significantly expand the partner ecosystem so customers have a broader range of products and services they can earn and redeem points with. So customers will be able to earn Telstra Plus points for buying flowers from their local florist all the way to earning points on their next holiday, It’s all part of our ambition to make Telstra Plus one of Australia's best rewards programs.

Michael Ackland: So, Telstra Plus will be the cornerstone of how we engage more deeply with our customers. Since launching Telstra Plus we've built a base of more than 3.5 million members and our strategic NPS is 18 points higher for members than non-members. Pleasingly, membership keeps growing. More than 1 million rewards have been redeemed so far meaning increased hardware and service sales.

We want Telstra Plus to be one of the most valuable rewards programs in the country. By 2025 we want 6 million members, engagement to 80% and to triple the value of redemptions. Now is the time to evolve, expanding our partnership ecosystem and connecting our Consumer and Small Business customers in unique ways. We have a large and growing and engaged member base and through a range of partners we'll offer customers now ways to earn and redeem points. From an earn perspective, we have started the relationship with booking.com and Huddle and redemptions can be made through all our core technology vendors. We see the opportunity to expand both the earn and burn side to be significant. We have built a sophisticated marketing and customer insights platform and will leverage insights to bring unique offers and value both to our partners and Telstra Plus members.

We want to use the program for our Small Business customers to access more of their customers in new and unique ways and we've developed a unique platform which allows Small Businesses to develop compelling insight-driven offers and present those to an engaged consumer base. Those customers can seamlessly get the benefit. We've begun piloting this program with around 40 small businesses from a florist to a hair salon and a wine shop able to market directly to Telstra Plus members. There is lots more to come. So stay tuned.

Turning to ambitions around being a technology retailer. Our customers increasingly think of the technology and experiences they want first and connectivity as the enabler second. Outright purchases of handsets have been growing for many years and the range of connected devices continues to expand. Our ambition is to be the place and destination for connected technology not just to buy it but to support our customers across the whole life cycle of that technology. We want customers to know that when they buy from Telstra everything just works and if it doesn't they can come to us and trust that we have all the services and advice they need. Our research tells us this is why customers buy from us now Bringing our licensees in house means we will have one of the largest corporate owned retail networks in Australia.

We see significant upside in this scale, to expand both our range and margin we capture through hardware. We will leverage our retail and customer scale to introduce new services specifically in hardware repair support and trade-in, driving both incremental revenue margin and more ways to connect and engage with customers. We will establish new retail formats, further integrate across physical and digital experiences leveraging AR and VR, scale click and collect and two hour delivery commitments supported by local expert staff.

Our commitment to rural and regional customers will continue to grow, as we know there are needs that are unique to customers who live outside metropolitan areas. To better serve our business customers in regional Australia we will be expanding our physical presence of our Telstra Business Technology Centres and these Centres will benefit from our growing account management services. This way, even more regional small businesses will have direct access to the expertise they need in their local communities.

Lastly, our multi-brand approach. Through T22 our multi-brand strategy has been highly successful in delivering both growth and value. As we deliver T25, we will continue to use our multi-brand strategy to expand our reach in mobiles and moving more significantly into NBN and into a broader range of services. Belong remains critical to our strategy and we'll continue to scale and lift value in Belong across both fixed and mobile. We also remain committed to building on our successful partnerships with JB Hi-Fi and Boost and we'll be looking to expand both partnerships into new categories. We are exploring agency partners, partnering with leading Australian brands to give more Australians the opportunity to experience the best network. The agency model approach allows us to focus on reach and value rather than just competing at lower price points.

So in closing, we're embarking on a new chapter of growth, building on the customer, capability, product and commercial foundations of T22. Through T25, we will deliver profitable growth in mobile and fixed and increase hardware margins, maintain operational discipline to deliver cost and customer outcomes. Deliver a step change in strategic NPS of 25 points, with an episode NPS of over 40 points. Commit to getting it right for our customers achieving once and done more than 90% of the time. Cut complaints by a third in the next two years and half in the next four. Get to 6 million customers on Telstra Plus with 80% being actively engaged and maintain our focus on responsible business for all customers no matter where they live including keeping 1 million customers in vulnerable circumstances connected every year. We will do this at a time when the way we use technology in the home and on the go has changed forever. We are incredibly well positioned to drive profitable growth and value by creating brilliant experiences that enable our customers to work, learn and play. Thank you and I would now like to pass over to David.

Presentation from David Burns

David Burns: Thanks Michael. It's a great opportunity to set the direction for our Enterprise business and Telstra's T25 strategy. Telstra's Enterprise ambition is to deliver profitable growth and value by connecting our customers with Australia's most trusted and secure technology and services. We will achieve our ambition by executing across five key building blocks.

Firstly, growth and disruption in our differentiated, fixed and mobile connectivity products. Secondly, continuous sustainable growth and scale in our NAS business. The relevance of technology to our Enterprise customers continues to accelerate. Everything we do must anchor to our customers and how we help them make the most of their technology investments. Our third building block is providing an exceptional end-to-end customer experience. Fourth, aligning our go-to-market to key industry groups with a focus on industry solutions and, fifth, our last building block is Telstra Purple which allows us to bring this all together driving NAS growth by delivering and managing solutions which make a difference to our customers.

Over the last three years we've worked hard to take complexity out of our business and lay the foundations for our return to revenue and EBITDA growth in FY22. We've transformed Telstra Enterprise and simplified many aspects of our operations including reducing our Enterprise products by 50% since 2018. Our work is paying off. With our strategic customer satisfaction score or NPS lifting 22 points across all customer segments since 2019. We've transformed the Enterprise operating model and launched Agile at Scale to simplify the way we work. We now have around 2,300 Telstra Enterprise employees working in an agile way.

We've built strong foundations for the future. We've completed a comprehensive redesign of both our data connectivity and mobility portfolios with the launch of Adaptive Networks and Adaptive Mobility. Our new adaptive offerings are designed to give our customers much greater flexibility while monetising 5G and disrupting ourselves to growing in data and connectivity. We're steadily migrating customers to our new digital stack where we're building our new products and we've developed and launched Telstra Connect, our digital self-service portal that's now available to all eligible Enterprise customers. Our services business is focused on our next generation technology portfolios which will be our growth platforms for the next wave of advancements in the Internet of Things, Security and Cloud Technology Solutions. Finally, and importantly, we brought together our investments in eight successful technology services businesses and 1,500 digital transformation experts to launch Telstra Purple, now the largest Australian-owned technology services provider.

So now let's dive into each of those building blocks highlighted in our Enterprise ambition. Our reliable, secure and flexible network connectivity is core to our business and fundamental to our FY25 ambition. As our customers transform their IT environments our connectivity underpins their adoption of Cloud-based applications and productivity tools as it supports hybrid workloads across all Cloud environments, public and private, and enables customers to maximise productivity from their distributed workplaces and workforces.

The enterprise connectivity market continues to be disrupted. New technologies have enabled customers to adopt managed Internet services to support their operations and NBN's continued focus on this market has helped new entrants grow quickly. We responded to these dynamics by launching Telstra's Adaptive Networks, connectivity offerings that bring together the flexibility of an unbundled connectivity and access layer and also helps customers embrace the latest in SD-WAN technologies. Our SD-WAN propositions offer the flexibility and economy of a managed Internet service with a key advantage as they are delivered over our reliable and secure Telstra Fibre network. The reliability and security of Telstra Fibre is key. Our engineering team continues to lead the market with network smarts and resiliency and we have access to more than 250,000 kilometres of fibre.

We will also continue to partner with NBN to drive new customer growth and capital efficiency.

As we see network convergence across fixed and mobile, we're in a market-leading position to maximise the power of our mobile network. Through these disruptions, our customers will reap the benefits of a seamless, software-defined network, operating across multiple technologies which will support and protect our data and connectivity revenues. As disruption stabilises and volumes continue to increase, we will return this portfolio to growth by FY24 whilst maintaining our T22 cost disciplines to ensure continued profitability.

Similarly to what Michael outlined, our 5G leadership underpins our T25 ambition. As our 5G network opens new opportunities for our customers to transform their business in turn driving continued revenue growth. Today, our Adaptive Mobility plans continue to deliver positive results through SIO and ARPU growth as our customer fleets transition to the new proposition including specific 5G offerings.

We also see growth in mobile as Australian businesses adopt Cloud PC and associated managed services with 5G connectivity to enable work from more places. 5G technology and innovation is also opening up new areas for mobile network revenue growth. Last month, we launched Enhanced Enterprise Wireless, an Australian first 5G solution that gives customers reliable and consistent connectivity akin to their fixed connection. We're backing it up with a 99.9% availability guarantee at eligible sites - the first time we've introduced an uptime availability SLA on a mobile product and it already has great traction in the market.

In a stadium context we can use 5G and Edge as a dedicated high bandwidth network with flexibility configuration, for example multicamera viewing for broadcast personalisation or dedicated live news or sports feed that uses a 5G network slice. We're also using 5G to power thermal and crowd density cameras, critical in a COVID environment, alongside way-finding and geospatial tagging so your phone can save your spot in the queue or guide you to the nearest amenities.

When you couple 5G with digital transformation solutions, we can see how it will drive revenue growth in both NAS and mobiles as technology-driven business outcomes scale on our network. Particularly interesting examples we're seeing include augmented and virtual reality such as how 5G is enabling the next generation of immersive training and collaboration.

Telstra Purple helped the Royal Australian Air Force distribute mission control operations to Air Force personnel across Australia via virtual reality. 5G, with augmented reality, has also helped power the support of better decision-making in disasters or emergencies when body cameras can relay live information in high definition to command centres to help firefighters, police, search and rescue, paramedics and others to make better coordinated operations. We also collaborate would the Downer group on a solution that combines apps and Cloud data and augmented reality to assist with preventative maintenance.

Our NAS portfolio is Telstra Enterprise's largest revenue contributor and a key driver of our growth ambition. We've built this business to capture market growth in IT services and continue to differentiate and drive usage of our connectivity propositions. In today's COVID world our NAS solutions are more important than ever to our customers as they focus on using technology to continue to be productive despite the disruption COVID continues to send their way.

We know that security, hybrid work, digital transformation and driving operational efficiencies are not only keeping CIOs but CEOs and Boards awake at night which is driving growth across our industry.

Closest to our core, we continue to focus on providing our customers with secure, adaptive infrastructure services, responding to the future network needs of our customers. Growth in this portfolio will be driven by cyber products and services anchored on our secure networks. Our workplace and digital practice solutions that integrate connectivity, mobile, devices and security help our customers as they continue the shift away from fulltime office-based work. We expect digital services to grow as we support our customers with continued innovation to drive their digital transformation agendas.

We also have a clear strategy to grow and monetise our products and services in these technology areas and in services, profession services and reusable intellectual property. By delivering these solutions as managed services over our connectivity networks we'll continue to drive annuity revenue managing both our technology and that of our partners such as Cisco, AWS and Microsoft.

I will talk more about how Telstra Purple will continue to drive differentiation across our business later in the presentation.

But next let me turn to customer experience.

We know that having the best technology experts and solutions means nothing unless you have the customer experience to match. Our ambition is to give customers an exceptional end-to-end customer experience which means personalised experience where it matters and effortless digital ones for their convenience. To do this, we've focused on three things. Firstly, our people have meaningful sales conversations that add value to our customers, understanding their needs and offering solutions that will make a difference to their most pressing problems. Secondly, the day-to-day sales and service interactions can be done digitally, self-serve with the touch of a button via our Telstra connect app. Thirdly, we'll radically simplify our processes and billing so that customers can easily understand which services they've ordered, how they're delivered and billed.

Just like the customer engagement expectations you may have with a bank, for example. A valuable conversation for a mortgage but the app for day- to-day banking and we will track customer feedback to ensure we get the right balance of valuable conversation and easy self-service options.

We'll know we've achieved this ambition when we get these three things: Firstly, customers give us that 90% rating or more in our support and engagement for the right balance of face-to-face and digital experiences. When customers can choose to perform all of their key service interactions digitally and, lastly, when more than 95% of billing disputes are resolved within one billing cycle.

The pervasiveness of technology to transform businesses does not mean that one size or solution fits all. While driving a simplified product and contracting experience across all of our customers is key to improving customer experience, we also know there are some industries where we have an excellent opportunity to drive growth by delivering industry-aligned products and services. As Andy referenced in his opening, to take advantage of this opportunity we've organised our business so we have greater industry alignment with dedicated propositions and go-to-market.

We will be technology services experts in selected industries, providing scalable industry specific solutions to meet their pressing needs. We have announced our first three industries where we've identified the biggest opportunities for growth and we have dedicated cross functional teams already working with customers and producing some great results.

We believe that Telstra has a significant role to play in government at the federal, straight and local levels. As a sovereign provider with Australia's largest network we have a unique opportunity to provide governments of all levels with secure, sovereign, intelligent infrastructure. With our unparalleled visibility of the network and strategic points of presence around the globe, we are in a unique position to help keep Australia safe.

The mining and energy industries collectively represent a $1.7 billion per annum addressable opportunity for Telstra which we will focus on by helping these customers manage their key priorities. To plan and prepare for high impact industry shocks, better manage their workforce, safety, productivity and rising costs to name a few. We'll support the response to these key priorities and transformation agendas by building on our sizable core connectivity base to develop solutions using automation, robotics, IoT, 5G and Edge Computing. This sector is one of the most challenging for reliable and consistent communications as they often have both remote sites and the need for complex communication architecture making private LTE networks very appealing to these customers. A great example is Newcrest that uses a Telstra Private LTE network at their Lihir operation in PNG where it has seen significant improvements in network performance and reliability and been able to implement new mining technologies and, most importantly, be able to maintain, safely, their mine in hot areas.

Our third focused industry we've chosen is to combine supply chain and logistics, retail and the agribusiness as they have very complimentary needs and technology solutions to meet them. Our relevance to these cohorts particularly where creating efficiencies is critical is increasing significantly as technology enables faster and more reliable operations, better compliance, improved safety and always that continuing drive down of costs.

Many of these solutions are underpinned by our leading networks including our Telstra IoT network, Australia's largest IoT network, which our customers use to monitor assets and gives their business a competitive edge. For example, we're working with Linfox to implement an advanced telematics and management solution across its entire fleet that delivers advanced transportation and logistics data and quality benchmarking information to enhance their safety.

Telstra Purple also recently developed an asset-tracking system with Kennard's Hire so it can gauge how equipment is used and schedule preventative maintenance when it makes the most sense, reducing the risk of down time and promoting safety.

Now, let me turn to Telstra Purple, our biggest opportunity for growth, our biggest differentiator and how we stitch it all together and I'm going to go to a video now.

Video: Two years ago, we combined eight tech companies to create Telstra Purple, now the largest Australian-owned technology services provider. Telstra Purple specialises in a wide range of tech solutions and management and consulting services to help customers digitally transform and grow. We're continuing to expand our capabilities in Cloud, Security and IoT. Since launching Telstra Purple, we've grown with the addition of Epicon, an IT service management specialist and Telstra Purple Managed Services which gives customers access to Microsoft Azure and AWS Services delivered safely and securely over Telstra's networks. Through T25, we will keep growing by exploiting our biggest differentiator, Telstra Purple's ability to design, execute and integrate solutions from our partners all combined with Telstra's leading networks. By doing this, we'll continue driving real-world outcomes, supporting organisations like Ambulance Victoria to better monitor a patient's status or track the number of ICU beds, ventilators and personal protection equipment in use during the pandemic. As society responds to shifts in how we live and work, at Telstra Purple we're aiming to be our customers' tech and services partner of choice.

David Burns: As you just saw, Telstra Purple's 1,500 experts work closely with our customers to solve problems quickly and effectively using Telstra-owned solutions and reusable IP of our partners. As these solutions are delivered by Telstra's leading networks we are well placed to grow our managed services business and pull-through connectivity. Unlike other telcos and professional consultancies, Telstra Purple has technological vision, intellectual depth and the economic scale of the biggest systems integrators and consultancies whilst maintaining its heritage of fast-moving boutique IT service providers. This allows Telstra Purple to take on significant projects leveraging Telstra assets including InfraCo to deliver and manage long-term customer or nation-building programs.

Since the onset of the pandemic in Australia, Telstra Purple has been engaged to help drive real-world outcomes that make a meaningful difference in Australians' lives. For example, in addition to the critical work we did with Ambulance Victoria we also helped the Victorian Government develop RideSpace, a mobile optimised website that helps passengers figure out how busy a particular train station or service might be to ensure social distancing. Purple's brand awareness is currently 25%, which is up 9 points from this time last year. Whilst consideration is 74% for the same period, up from 64% at the same time last year, showing the value our customers place in the services Telstra Purple provides. Our ambition is to increase this brand awareness to 65% by FY25.

Let's summarise the key ambition and financial targets of our Telstra Enterprise ambition. First, we will return our data and connectivity portfolio to growth by FY24. Secondly, we'll drive profitable growth in mobiles and monetise IoT. We will grow NAS revenue in mid-single digits CAGR to FY25 and maintain mid-teens EBITDA margin and we will continue to maintain our T22 cost disciplines across the portfolio.

Our plan and targets well underpin Telstra's ambition and are incorporated into the T25 scorecard. With this plan and these measures, we're confident of achieving our ambition to deliver profitable growth and value by connecting our customers with Australia's most trusted and secure technology and services. Thank you. I'll now hand you back to Nathan Burley.

Nathan Burley: Thanks, David. We're going to take a 10 to 15-minute break now so please be back online just before 10:45am to hear from Brendon Riley on infrastructure. Look forward to seeing you then.

Video: At the AFL we have a huge archive of 22,000 tapes that have been sat in an air-conditioned room for many years. Outside of preserving the history of the game, the archive presented an opportunity to enable our vision of bringing fans closer to the game. The AFL is the custodians of the history of the game but it is really important for future generations to be able to view this. The digitisation of the AFL archive is a mammoth task so there were two challenges, one is the tapes themselves are degrading and the other is the equipment to be able to retrieve the material from them is also becoming more difficult.

In collaboration with Telstra, the methodology to be able to take once we played the linear video tapes and/or film was to send that digital information to an innovative, high-grade storage device known as AWS Snowball, that allows us to keep the material on large storage devices that then can be linked to the Cloud. The AFL were really thankful for all the work that was done by the Telstra Purple team to be able to spin up servers in the Cloud and enable the high-tech recording so the Telstra broadcast service were involved in allowing us to get a high- speed data link from AFL House and then obviously serve that all the way into the Cloud for the future use and future harvest of digital material.

Probably for the future use and future benefit of digitising the archive from our media perspective is purely access too, be able to access those video files in an organised fashion is the biggest opportunity for us. Telstra's environment was critical in the project. We see the digital archive powering innovation in the future especially around video endeavours such as AFL on demand. The archive digitisation from start to finish to vendor management to migration to storage a really complex project but Telstra were critical in being able to make all of that happen and supporting all of our teams from end to end.

<u>Presentation from Brendon Riley</u>

Brendon Riley: Good morning, everyone. It has been just over 10 months since our last investor day where we updated the investors on Telstra InfraCo. Over this time we've made lot of progress. We've completed our first full year of operation as an integrated infrastructure business, we've delivered on all of our financial operating and safety objectives as part of T22, reported first half and full year

InfraCo-specific financial results, successfully launched new market offerings including dark fibre and data centre and closed the sale of 49% of InfraCo Towers with net proceeds of $2.8 billion.

Looking forward as part of T25, our ambition is to improve the access, utilisation and scale of our infrastructure to deliver growth and value. In order to fulfil InfraCo's ambition we are going to focus on six building blocks. While we have market-leading infrastructure assets it's important we continue our efforts to make sure more access to the industry and the nation. The way we will do this is by further productising assets with standard offers, rate cards and fulfillment terms, digitising the customer experience across planning, design, ordering and fulfillment, investment in new builds which both support customer requirements and leverage the existing infrastructure to create new solutions.

We're proud of the infrastructure experts we have amassed over many years however it is important we take steps to further enhance this through completing key hiring including a focus on external specialists and leaders to fill required roles to support growth, working with our industry partners to develop longer term capacity, skill and safety disciplines and developing new capabilities in professional services so we can be a full infrastructure solution provider to the market.

InfraCo has the diverse asset base and it's important each of our businesses are globally competitive and sustainable. This includes measuring reporting asset business performance against global standards or national standards where appropriate, increasing our focus on maintenance, asset life cycle management and emissions to ensure we have a safe and sustainable asset base, enhancing and digitising asset records to support business operations and monetisation.

We're delighted to have launched Amplitel towers earlier this month with an Australian consortium made up of the Future Fund, Commonwealth Superannuation Corporation and Sun Super managed by Morrison and Co. We are committed to executing the business plan we have agreed through a collaborative and transparent relationship at all levels, effective governance with the Amplitel board and a focus on operational excellence and portfolio growth to generate long-term returns.

We've not made any announcements on InfraCo Fixed monetisation timing, acknowledging that InfraCo Fixed is substantially larger than Towers and is multi-asset so our immediate focus is to build greater flexibility and optionality to realise value from our fixed infrastructure assets, with the potential to take advantage of opportunities to maximise value for Telstra shareholders and accelerate the program of work post the restructure including leveraging learnings from the Amplitel process to build investor-ready data, financials and asset business plans.

All of our customer relationships are extremely important especially with NBN and other major national service providers. While they will always be a priority, the commercial models we have used have been operating for many years and are relatively mature. For the InfraCo and Telstra partnership, it is in its infancy and will require focus over the years ahead. This includes delivery of competitive infrastructure services and solutions to enable Telstra to achieve its market objectives, implementation of the intercompany agreements, restructuring outcomes and governance arrangements, which leverage the strength of Telstra and also instill further trust and confidence and long-term collaborative planning to shape forecasts, sustain the partnership model and provide future growth capacity.

InfraCo's passive asset portfolio leads the market in terms of scale, coverage and mix. All asset businesses are operating effectively and delivering to expectation after the first year in operation. The portfolio is valuable not only in terms of its income and EBITDAaL generation but also its monetisation potential. All businesses are underpinned by long-term stable contracts with Telstra

NBN and the broader industry. Our renewed focus on infrastructure together with new products and growth place can continue to drive their long-term value.

The Amplitel sale price and multiple together with the speed at which the sale closed is indicative of the quality of the InfraCo assets. InfraCo Fixed is over six times larger than Amplitel on an income and EBITDAaL basis, while it is more complex in nature, InfraCo Fixed is a very strategic portfolio. The ambition for Amplitel is to be Australia's leading full-service wireless infrastructure services and solutions provider.

Our plan on a page summarises our key strategic objectives. Provide better access to tower infrastructure, improve service offerings and asset health, pursue growth and drive asset efficiency and be the home of tower infrastructure expertise. In relation to driving improved access to our towers, we will be a full-service provider to the industry of both passive and active solutions. While we will not be a mobile operator, we are seeing demand for provision of active and passive elements of mobile network builds as well as strong interest for specific industry solutions. Two of our outcome measures by FY25 will be 250 new towers constructed and 700 additional tenancies.

From a technology perspective, we decided nine months ago to stand up a new asset management solution for Amplitel. It provides the business with the contemporary technology platform it needs to manage all aspects of the asset base. The deployment has now enabled site and asset inventory for over 8,000 sites, tracking of design and construction of new sites, colocation, site access and ordering, operational reporting and the customer portal.

We've also moved quickly to create Digital Twins of our network, leveraging drones and our asset management platform. We have a plan to have 90% of our mobile structures as digital twins by FY25 and lead the market in how Digital Twins can be leverage to optimise customer outcomes.

Turning to shareholder value, there are items which we must execute well on to continue to drive long-term value. The first is the management of the cost base of which over 60% relates to property. The second is further improving our maintenance and lifecycle management standards to be the best in the industry. And finally, driving growth from new towers, new tenancies, new services, market expansion and site acquisition. Strong execution across these areas will enable us to grow underlying EBITDAaL. The current FY25 outcome is for low-to-mid single digit growth.

The last objective on this slide is a very important one as it relates to our people and our partners. We've seen a tremendous reaction from our staff, our subcontractors and the broader industry to the launch of Amplitel. We aim to be the employer of choice, co-create strong construction and delivery partnerships and be agile in everything we do. A core non-negotiable element of everything we do will be a focus on the health and safety of the extended team and maintaining a strong same-day reporting regime which will be one of our FY25 operational measures.

I'm excited to provide further details of our Amplitel digital twins program. This is all about bringing real-world assets to life on our customers' digital devices to transform their experience. Already we have over 1,000 Digital Twins and will complete the digitisation process for 90% of our mobile structures by the end of FY25. Designing and deploying mobile networks requires long-term, detailed planning and we believe Digital Twins will be a game changer in terms of cost, speed and quality.

We created Digital Twins using drone scans and these scans feed directly into our asset management platform. For any subsequent drone scans we have enabled auto-updates of all data attributes in our systems. The end-to-end solution will also enable a range of analytics and reporting capabilities as well as facilitate site incident reduction and optimisation of our maintenance activities. To bring this to life a little more, let's go to a video on our Digital Twins program.

Video: The creation of Amplitel in 2021 to be Australia's leading full-service wireless infrastructure provider is already returning value to our shareholders and now we're ready for growth. As part of T25, we'll provide easier access to our world-class assets, increase utilisation and deliver new products and industry solutions. We'll build 250 new towers, increase tenancies by 700 and create Digital Twins for 90% of our mobile structures, with 3D Digital Twins, drone scans will feed directly into our asset management platform and offer advanced analytics and reporting capabilities. Customers will see a real-world mirror view of assets and the surrounding environment, completely transforming how they plan and maintain sites and identify potential incidents. All done remotely from their digital device. With almost everything that happens today relying on telecommunications, we're reinventing the way infrastructure is built to meet the needs of future generations.

Brendon Riley: Our key strategic objectives for InfraCo Fixed are to provide better access to our fixed infrastructure, improve service offerings and long-term asset health, drive asset efficiency, pursue growth and be ready for the next phase of optionality and be the home of fixed infrastructure expertise. While we have been successfully providing access to our fixed infrastructure for many years, there are a range of initiatives we are taking to make this easier and more comprehensive.

The first is through new fixed products and we're planning to launch at least 10 new products by FY25. In the past nine months we've launched new InfraCo dark fibre products. While our customers have wanted us to offer dark fibre we first needed to develop a launch dark fibre services in order to address the market opportunity. On a similar front, we have under-utilised data centres but we've not had clear market offerings or the ability to offer network-agnostic access. With our data centre product launch last month we've now solved these challenges and there are plans to extend these data centre services across additional sites nationally.

Of course, everything we do needs to be digitised and we have our automated duct reservation system, new digital tools for fibre planning and ordering, and improving tools for information on our data centres.

The security, monitoring, maintenance, emissions reductions and life cycle management of our assets is extremely important and we're implementing new asset management platforms to drive these areas and working with industry to extend our focus on proactive maintenance practices. We also have a substantial build program for over 6,000 kilometres of new fibre through to FY25.

A real time example of our focus has been the risk analysis and climate modelling on our fixed infrastructure. The work has culminated in a new summer disaster preparedness program for a range of flood and fire-prone sites across regional Australia. As a result, we're completing ahead of the summer disaster zone power site up grades and fuel top-ups, battery life cycle replacements, ground maintenance and cutbacks, helicopter landing make-ready inspections and proactive fibre repairs.

We've allocated $600 million of capital for new infrastructure to the end of FY25. Around 60% of this is for planned fibre growth with the remainder across ducts, fixed network sites and data centres. Our property rationalisation program will continue with plans for 50 sites by the end of FY25. We will leverage these as well as procurement and scheduling optimisation with our partners to drive operating efficiency. We're confident of delivering low-single digit EBITDAaL growth to FY25.

Like Amplitel, InfraCo Fixed is also attracting lot of interest from professionals looking for an exciting career in infrastructure. Aside from building our talent, competencies and practices, we also have other obligations and commitments to fulfil. Much of our infrastructure crosses the lands of First Nations peoples. We believe InfraCo and the industry at large has more work to do on engaging with First Nations peoples to build more enduring land management models which respect cultural beliefs and sites. We've recently appointed a new land access executive and a team which includes one of our most senior Indigenous leaders to intensify our focus in this area.

Our fixed network sites do consume significant energy and we are a key contributor to emissions reductions to support Telstra's emissions reduction commitments. We've commenced a program to reduce our overall energy consumption. This will be achieved through a combination of investment in lower consumption technology such as automated LED lighting and improving the efficiency of our air conditioning at sites.

While the FY20 plans for InfraCo Fixed were created in line with Telstra's overall BAU Capex envelope, there are additional growth opportunities we are currently evaluating. The opportunities are long-term in nature and will potentially service major customer needs or create nation-building solutions for the future. We will update investors on these opportunities when it is appropriate to do so and ensure they meet investment criteria for long-term infrastructure projects aligned to the company investment goals which Vicki will talk to shortly.

Lastly, I would like to comment on InfraCo Fixed post the corporate restructure. While our plan is to be ready for the next phase of optionality, there will be an immense amount of preparatory work required. The Amplitel process has provided invaluable insights into areas which will require focus earlier in the preparation phase and property is one example. It has also helped us dimension what we will likely need in terms of external support to be ready across a much larger multi-asset portfolio business.

Now just to add some more insights about our new dark fibre products, in a little over nine months we have delivered around 190 active services for 22 customers which includes eight first-time InfraCo customers. Our most recent dark fibre product was for pre-configured high speed NBN POI rings across six capital cities which also connect to our data centres. This is on top of our extensive network of dark fibre with over 300 separate available paths and standardised connections to over 84 NBN POIs and 72 metro data centres across the nation. We have three more dark fibre product launches planned for FY22 which will see a total of five new dark fibre products for this year.

In closing, InfraCo is pleased to be a strong contributor to the T25 strategy. I would like to highlight some of the key performance indicators on the company scorecard. Amplitel to build 250 new towers and add an additional 700 tenancies by FY25. InfraCo fixed to build over 6,000 kilometres of new fibre. Amplitel to contribute low to mid-single digit EBITDAaL growth and InfraCo Fixed to contribute low-single digit EBITDAaL growth before any additional investment in incremental growth programs.

To make InfraCo an exciting place to work with a high-performance customer-centric culture which sustains us at the 90th percentile of employee engagement and finally reducing our energy consumption aligned Telstra’s emission reduction goals. Thanks for listening and, with that, I'll pass over to our Chief Financial Officer, Vicki Brady.

Presentation from Vicki Brady

Vicki Brady: Thanks, Brendon. Good morning and thank you for joining us. This morning I'm very pleased to take you through our financial strategy for T25. We will then open for questions. Our financial strategy has five building blocks to deliver growth and value for shareholders. These blocks build on the strong foundations provided by our T22 strategy.

First, we will build financial momentum across our portfolio to deliver growth. Second, we will deliver $500 million of net fixed cost reductions from FY23 to FY25 while investing for growth. Third, we will focus on cash conversion and generation. Fourth, we will be active in portfolio management to unlock value and manage our balance sheet. And finally, we will create shareholder value through our capital management framework.

Before providing you with more detail on each of the building blocks, I will comment on our financial growth ambitions to FY25 which Andy spoke about earlier. Our underlying EBITDA and ROIC ambitions build on our current T22 commitments.

As announced at our FY21 full-year results, our guidance for FY22 underlying EBITDA is $7 to $7.3 billion. This represents mid-to-high single digit growth. Our ambition is to achieve $7.5 to $8 billion of underlying EBITDA by FY23 and mid-single digit CAGR from FY21 to FY25. As illustrated today, we have confidence that the momentum we've built towards growth will continue to FY25.

For underlying ROIC, our ambition is around 8% by FY23 and to grow beyond this to FY25. For underlying EPS, our ambition is a high-teens CAGR from FY21 to FY25. This level of underlying EPS growth from 9.7 cents in FY21 provides earnings clarity as we maximise our fully-franked dividend and seek to grow it over time. For excess cash flow, our ambition is to invest for growth and return excess cash to shareholders in line with our capital management framework.

Turning to the first block of our financial strategy, building momentum across our portfolio to deliver growth on slide 48. This reflects the turning point we have reached thanks to our T22 strategy. We are entering a different phase and expect top line revenue growth to be a driver of EBITDA growth.

Our ambition is to do the following: first, to drive value growth through our 5G mobility leadership. Our FY21 results included around $300 million of second half mobile EBITDA growth on the prior corresponding period. We are confident that mobile EBITDA growth will continue underpinned with our ambition for a mid-single digit mobile services revenue CAGR and ongoing productivity. We also have the final EBITDA benefits flowing through from migrating customers of subsidy and lease plans in FY22.

Second, to profitably grow our fixed product portfolio across C&SB, Enterprise and Wholesale. This includes NBN resale, data and connectivity and NAS. Third, to deliver further net cost reductions while investing for growth. Our T22 strategy has achieved simpler and better outcomes for our customers and we have delivered $2.3 billion cumulative cost reductions since FY16. Fourth, to profitably grow new markets to scale across Telstra Health and Energy. And finally, to grow returns from our infrastructure business.

Let me now turn to how we will drive mobile value growth on slide 49. Our ambition is to deliver a mid-single digit CAGR for mobile services revenue through our T25 strategy. Let me now speak to the drivers that support this ambition shown on this slide. First, our technology solutions and our network leadership, including Australia's largest 5G network, are critical to our strategy, maintaining and extending our 5G leadership will underpin our market position and our price premium.

Second, with the foundation built by T22 we are customer-first with simplified plans and no lockin contracts. The migration of all customers to these simplified mobile plans will provide a significant operational benefits and flexibility beyond T22. We are also positioned to grow our hardware margin through unbundling, removing subsidy and the insourcing of our retail stores.

Third, we believe value growth from 5G experience-based propositions can drive further ARPU growth. Our lead indicator of post-paid handheld ARPU, transacting monthly minimum commitment or TMMC has grown more than $5 since FY19. This increase as well as pricing changes across the base are flowing through to ARPU and EBITDA. We believe 5G experience-based propositions can drive further ARPU growth beyond FY22.

Fourth, new C&SB and Enterprise 5G products and an expanded device ecosystem will also provide new opportunities. As you heard from Michael today, there is an increasing array of connected devices beyond handsets and tablets to wearables, AR, VR and appliances. There are also emerging Enterprise 5G products that David discussed from enhanced ethernet wireless to one of Australia's largest banks re-imagining the branch of the future. And 5G and Edge in sports stadiums. These new products will all create optimised experiences for our customers and drive value and growth in our core mobile business.

And finally, we also expect to continue value accretive growth through our multi-brand strategy. We will continue to use this highly successful strategy to increase reach. This includes Belong, JB Hi-Fi, Boost and our wholesale model where we have consistently achieved strong SIO and revenue growth.

In addition to mobile growth there are other areas of growth across our portfolio which I will explain in more detail on slide 50. Our full-year FY21 results highlighted an inflection point in our fixed products. In fixed C&SB the NBN-driven decline is now substantially complete. We expect growing and profitable home and business internet services and are targeting a mid-teens NBN resale margin by FY23. Across small business apps and serves our target is to double revenue between FY21 and FY25. While we continue to explore, test and develop alternative technology options, we expect to limit legacy copper losses to less than $100 million per annum.

We are further through the NBN-driven decline in C&SB than in Enterprise. In Enterprise fixed, our ambition is to return to growth in Data and Connectivity by FY24 and a mid-single digit NAS revenue CAGR to FY25 with mid-teens EBITDA margin. Across Enterprise we are targeting FY22 revenue and EBITDA growth in aggregate.

In fixed Wholesale, our ambition is to maintain annual EBITDA of around $350 million until FY23 before the portfolio returns to growth. Within fixed Wholesale, we expect data and connectivity to contribute to growth post the NBN-driven legacy decline. Our focus is to grow through investment and product differentiation including wireless resilience, active and dark fibre hybrid solutions and API-based services.

Turning to infrastructure, we will continue to drive the performance and recognition of our world-class infrastructure assets. In FY22, we expect to revise our disclosure to further elevate Amplitel and InfraCo Fixed, giving more focus and clarity on their performance. As you heard from Brendon today, for Amplitel, we are targeting low-to-mid single digit EBITDA after leases CAGR, 250 new towers and 700 additional tenancies by FY25. For InfraCo Fixed, we are targeting low-single digit EBITDA after leases CAGR, $600 million of new infrastructure investment and 6,000 kilometres of additional fibre deployed. This infrastructure investment will be within our business as usual Capex.

Turning to new markets, Telstra Health is well positioned and we are excited by the acquisitions of MedicalDirector and PowerHealth. Our ambition is to grow Telstra Health to become a $500 million revenue business by FY25. We are also focused on diversifying growth across other verticals including in energy where our ambition is to be a top five retailer by FY25.

Turning to the second block of our financial strategy to deliver net cost reductions while investing for growth on slide 51. We have achieved $2.3 billion of annual cost reductions since FY16 and are confident that we will deliver our $2.7 billion T22 target by end of this financial year. We are targeting cost reductions in FY22 of $430 million. This includes benefits from digitisation, reductions in IT and network costs, ongoing vendor optimisation and labour efficiencies.

From FY23 to FY25, we are targeting another $500 million of net fixed cost out while also investing for growth. We believe this ambition will ensure we maintain and improve our lead-in operating metrics for a full-service telco. We are already top quartile across many metrics however we believe shareholder value is better supported by not targeting top quartile across all metrics given our premium position in the market.

We have five focus areas to achieve cost reductions during T25. We will significantly reduce our IT operating costs. The investment we have made transforming our IT digital stack during T22 enables us to now focus on removing legacy systems and consolidating platforms. We will transform the Telstra Enterprise customer value chain cost base across order, delivery and activation processes. We will deliver operational efficiency across C&SB billing, fixed assurance and fixed activation customer episodes. We will realise further labour productivity through agile at scale across back of house and support areas and we will expand productivity discipline across total costs including sales costs, fixed costs and Capex.

Turning to the third block our financial strategy, a focus on cash conversion and generation on slide 52. Pleasingly, in FY21, we delivered free cashflow of $3.8 billion, an increase of approximately $400 million compared to the prior year due to working capital improvements. Cash generation continues to be a priority in our financial strategy with a focus on converting EBITDA into cash.

Capex discipline and efficiency will benefit cash, our expectations for business as usual Capex is unchanged at around $3 billion per annum excluding spectrum. Volatility and hardware revenue in FY21 impacted our Capex to sales ratio. This highlights a shortcoming in this metric. Consequently, we have updated our capital management framework to reflect Capex in absolute dollars rather than as a ratio. This change is consistent with how we manage Capex internally.

Spectrum payments are more irregular than BAU Capex. We expect to pay for the recently acquired millimetre wave spectrum over four further equal annual installments. Full payment for any licences awarded in the upcoming 850 and 900 MHz spectrum auction is expected in late FY24. I will return in a moment to further investments for growth above BAU Capex.

In addition to Capex discipline, there are several areas of additional focus that will benefit cash. Enduring working capital improvements will benefit cash, we will continue to manage mobile handset receivables and focus on initiatives to deliver ongoing improvements in working capital across inventory management, receivables and payables.

Reducing leases will benefit cash as flagged at our full-year results, given our shift to hybrid working we continue to assess our property requirements and may exit some leases early. This may have short-term negative impact on D&A but should result in financial benefits over time. Reducing finance costs will benefit cash. Finance costs paid have been reducing due to both reductions in net debt and lower average borrowing costs. We expect this trend to continue as high-cost debt matures.

In addition to our focus on converting EBITDA into cash, we expect cashflow to remain ahead of accounting earnings largely due to structurally lower Capex than D&A. In FY21, Capex was $1.4 billion lower than our D&A of $4.5 billion. After adjusting D&A for $532 million of lease depreciation and $239 million of spectrum amortisation, Capex was around $700 million lower. We expect that business as usual Capex will continue to be around $600 million lower than adjusted D&A due to historically higher Capex and mix of asset lives. Cash flow remaining ahead of earnings provides flexibility for further investment and capital management that I will discuss shortly.

Turning to our fourth block of our financial strategy, active portfolio management to unlock value on slide 53. We have a strong record of generating additional cash, unlocking value and managing our balance sheet. We illustrated this through T22 with our successful monetisation of $2 billion of assets. We have also now completed the sale of a 49% non-controlling stake in our towers business. The transaction valued Amplitel at $5.9 billion, representing an FY21 proforma EV to EBITDA after leases multiple of 28 times. Net cash proceeds were $2.8 billion.

On Telstra InfraCo more broadly, we are delivering on the promises we made in our T22 strategy to provide greater transparency of our infrastructure assets, improve the efficiency of how we manage those assets and provide optionality in an evolving industry. This optionality includes ensuring InfraCo Fixed is ready to explore future monetisation or other opportunities.

Across our portfolio, we also retain the discipline to grow or exit investments depending on their ability to exceed ROIC targets. We will take an active approach to portfolio management to unlock value. Now that I've taken you through how we will drive underlying EBITDA growth, cash generation and unlocking value, I will turn to the fifth block of our financial strategy and our capital management framework on slide 54.

We will continue to apply fiscal discipline and use this framework to manage capital and deliver shareholder value. The objectives of the capital management framework are to maximise returns for shareholders, maintain financial strength and retain financial flexibility. These objectives are unchanged. The framework includes four principles and we have made changes to three of them effective from today.

The first principle is a commitment to balance sheet settings consistent with an A band credit rating. This commitment is unchanged as it continues to be important to shareholders and debtholders. The A band credit rating demonstrates the strength of our business and provides continued access to global low-cost capital.

The second principle is to maximise our fully-franked dividend and seek to grow over time. This principle reflects continued feedback from shareholders of the importance of our fully-franked dividend. It also reflects our intention to return as much cashflow to shareholders via fully-franked dividends which can be sustainably supported by earnings and franking while also balancing the objectives and principles of the capital management framework.

We are confident in maintaining a minimum 16 cents per share fully-franked dividend subject to no unexpected material events and the requirements of our capital management framework. However, our franking balance is low. We reported FY21 EPS of 15.6 cents and underlying EPS of 9.7 cents. We need to grow underlying earnings in line with our financial ambitions and grow our franking balance in order to grow fully-franked dividends.

This replaces our previous principle to pay fully-franked ordinary dividend of 70 to 90% of underlying earnings. We have replaced this principle because we expect our cashflow to remain ahead of accounting earnings and we are focused on growing underlying earnings into our total dividend. The split of ordinary dividend funded by underlying earnings and special dividend funded by net one-off NBN receipts becomes less relevant in the future. We remain committed to returning in the order of 75% of net one-off NBN receipts however we expect FY22 to be the last year of special dividend funded by the NBN receipts.

The third principle is ongoing business as usual Capex of around $3 billion per annum excluding spectrum as I have already discussed.

Turning to the last principle of our capital management framework, to invest for growth and return excess cash to shareholders on slide 55. This replaces our principle to maintain flexibility for portfolio management and strategic investment. The new principle is more specific and illustrates our intention to use the flexibility provided by our cashflow being greater than earnings to invest for growth and deliver additional returns to shareholders. We expect to generate excess cashflow after capital is deployed in accordance with the first three principles of our capital management framework.

With excess cash, our focus then shifts to investing for growth and returning excess cash to shareholders. When we invest for growth we will continue to be disciplined and apply our previously communicated criteria for organic and M&A opportunities. Our criteria for organic opportunities are an NPV that is positive, using WACC and appropriate risk analysis. Organic opportunities could include a long-term or nation-building infrastructure investment or a major customer project. We are currently exploring opportunities in these areas.

Our criteria for M&A opportunities are to be EPS accretive in year two, have a return on investment above our weighted average cost of capital by year three and any acquisition needs to be more value accretive than a share buyback of a similar size. We preserve discretion to take advantage of longer term strategic opportunities where we expect them to deliver financial returns that exceed the cost of capital and long-term value creation for shareholders.

We expect to outlay around $450 million acquiring MedicalDirector and PowerHealth. We applied discretion applying MedicalDirector given its strategic significance to our Telstra Health portfolio. Going forward on M&A, we expect our insourcing of retail channels will cost in the low hundreds of millions. We also continue to assess other M&A opportunities.

Turning to options for returning excess cash to shareholders, our preference is to participate in options that involve the distribution of available franking credits. If that is not possible, we will consider share buybacks, capital returns and unfranked dividends. We've demonstrated this with our recent announcement of an up to $1.35 billion on-market buyback from the proceeds from the sale of a 49% stake in Amplitel.

To conclude, over the last three years we laid the foundations for growth and to take advantage of the opportunities ahead. We are now a simpler, leaner and a more digital company compared to where we started T22. We are also a market leader with unparalleled scale, brand and network. We are values-based and focused on doing business responsibly. We have world-class infrastructure assets and we will deliver further value from them.

We are excited by the future with FY21 marking an important inflection point for our financial performance. We will deliver growth through our T25 strategy by staying disciplined and focused, by continuing to build financial momentum across our portfolio to deliver growth, by delivering $500 million net fixed cost reduction from FY23 to FY25 while investing for growth. By having a strong balance sheet and focusing on cash conversion and generation. By being active in portfolio management to unlock value and by creating shareholder value through our growth strategy and updated capital management framework. I will now hand to Nathan to take us through Q&A.

Investors and Analysts Q&A

Nathan Burley: Thank you, Vicki. We'll now start Q&A beginning with investors and analysts. All speakers today are on the call and able to answer questions. For those that are on the call to register a question it is star 1, to cancel your question is star 2. We'll move to our first question which comes from Eric Choi from Barrenjoey. Go ahead, Eric.

Eric Choi: Thank you and congratulations. The outlook hasn't been this positive in years so great work on executing on T22. My first question is on unfranked dividends which is now in your option set. In the absence of M&A, is there anything else holding you back from doing a partially franked dividend in FY22 or FY23, wondering if bondholders are a hurdle at all or are you waiting to see how your other options like the buyback performs? My second question is on your T25 ambition. The EPS growth you're forecasting is pretty much equal to the post-tax growth in EBITDA with some tweaks for net interest and minorities but this suggests D&A doesn't reduce much versus FY22. Is that right and why aren't we writing down assets given the D&A and Capex gap?

Just a last question, trying to unpick that mobile service revenue growth of mid-single digit out to FY25. Nominally, that's is $1.4-1.5 billion number and I suppose a COVID rebound will get you $200 million, sub growth might get you another $400 million which means you'll need another $800 million of growth from ARPUs and if I convert that to postpaid ARPUs that's another $5-6 of postpaid ARPU growth beyond FY22. Is that right, intimating there'll be more regular postpaid price increases from FY23 onwards in guidance? Thanks very much.

Andrew Penn: Thanks very much, Eric. Firstly, thank you for your kind comments. I think, very proud of what the team's done on T22, put us in a great position as you say, I think it has enabled us to have a pretty positive outlook. On your questions, I think I can hand them over to the team. I might get Vicki to take the lead on just some of the considerations around increasing dividends in the short-term on a partially franked basis and then I think your second point was really around what's happening with underlying D&A, and mobile services revenue which Michael Ackland might also like to comment on too. Vicki.

Vicki Brady: Thanks Andy and thanks Eric for your questions. Starting with unfranked dividend, so I think the new capital - or updated - capital management framework obviously talks to the principles with which we'll look at deploying capital. As you said, obviously the first three priorities in that framework talk to our balance sheet, maintaining that strong balance sheet and the A band rating.

Secondly, we've got to maximise the fully-franked dividend and then, third, obviously the ongoing business as usual Capex of around $3 billion. So as you said, beyond that what will we look at? Absolutely, we will look to invest for growth and that could be organic opportunities or it could be M&A in line with the criteria I spoke to and yes, beyond that we'll look to return excess cash to shareholders and as I said, we'll look at all options there. Could be share buyback, could be capital return, could be unfranked dividend so that's how we're thinking about that over the coming period of T25.

Then on your second question about EPS growth and D&A, yes our outlook is from FY22 we do expect D&A to be pretty flat through the rest of T25 so not expecting step-downs like we've seen over the last couple of years. To your point around would we look at write-offs, so the reason our D&A is sitting higher than our now in-year Capex is due to higher Capex spend historically and also the mix of asset lives so higher proportion of long-life assets sitting in our base versus where our current Capex investments are going, that proportion is now higher into shorter life assets like software. So obviously we have invested in assets in the past. Of course, we continue to review and each reporting period we do a thorough review of our asset base and at this stage we are anticipating that structural difference in our in-year Capex and our D&A to continue around the $600 million level per annum through the course of T25.

And then on your final point on mobile services revenue, yeah, you're right, we would be hoping borders reopen and we see some international roaming return as we look out to FY25. And then you're right, so in terms of what drives our mobile services revenue growth, what are the things in there, yes, obviously ARPU could play a part, we would hope to see SIO growth return as borders reopen and the Australian population returns to growth, and you heard both Michael and David talk today about 5G use cases and propositions and how we look to monetise that further is obviously important over the T25 time horizon as well. I might just throw across to Michael because obviously he's very close to the mobile services revenue growth. Michael.

Michael Ackland: Thanks Vicki and thanks Eric. I think Vicki covered it broadly. I think the way that I would think about it is we've seen over the last five years with data inclusions getting bigger and bigger a sort of - we're seeing that pull-down of ARPU and pull to the middle and so we are starting to see that turn now. As you've seen in our results as we've had 5G on the top tiers and as David is seeing through Adaptive Mobility we can start to spread that plan mix and pull that plan mix up with experience-based offers so that's one and ARPU is a big part of the strategy.

I think the other couple of points that I think are worthwhile is, as we see those 5G use cases expand is we should expect and we've started to see in many places that expansion of non-postpaid handset service revenue as well, so tablets and wearables and AR and VR and so forth, but the bulk of it will be that trend in postpaid ARPU. Back to you, Nathan.

Nathan Burley: Thank you. The next question comes from Kane Hannan from Goldman Sachs.

Kane Hannan: Good morning guys. Thank you for the update. Three from me please. Firstly, just interested if you could talk about your expectations for Telstra's overall revenue trends out to T25, whether that mid-single digit mobile NAS growth is going to offset the legacy declines. Secondly, in terms of that mid-single digit NAS revenue CAGR, you've got the ISDN revenue to fall out and I assume that happens over the next few years. How do we think about the phasing of the NAS growth, is it low single digits in the early period and accelerating to double digits in the end? Just hoping you can talk about the phasing and when you might hit the margin targets?

And finally on the dividend, if I use high teens EPS growth and 9.7 cents base and I think you're saying basically 100% payout ratio, it looks like you’re saying the first time you’re going to be able to grow the franked dividend will be to 18 cents in FY25. Just confirming this is consistent with what you're saying today, does EPS growth have anything in there for the TowerCo buyback? Cheers.

Andrew Penn: Thanks very much, Kane. I think on the revenue one, one of the biggest factors is obviously just been what's been happening with handset sales and hardware particularly through the period of COVID. It’s a bit hard to predict how that is going to play out over time. It is a little bit why we've decided to just go to the nominal number for Capex because I think the Capex to sales ratio is obviously somewhat influenced by that but I'll get Vicki to comment further on that as well as the mid-single NAS margins which I think also David can comment on.

I'm not sure there's too much more we're going to say in relation to guidance on dividend and I think we've provided pretty much all of the parameters that we can. And the real focus is we're very conscious how valuable and important the dividend is to shareholders so we're going to seek to maximise it to the extent of the franking that is available and also to seek to grow it over time and thereafter we'll assess our excess cash flow position against the framework that Vicki's already provided. But with those comments from me I might hand over to Vicki to pick up further on all three points and maybe invite David to talk a little bit about the trajectory on NAS too.

Vicki Brady: Thanks Andy and thanks Kane for your questions. Andy, I think you've covered the first one well so we're not going to comment on overall revenue trends but obviously mobile services revenue is a key driver so we wanted to give that ambition and make that clear. The second question which was NAS related, so in terms of, yes mid-single digit revenue CAGR out to FY25 and then what's the phasing of that? As you rightly call out, Kane, there are some things we're obviously navigating in that portfolio or on the legacy side and some transition in terms of unified comms as well. So that definitely plays a part in the earlier years in T25.

In terms of the mid-teens EBITDA margin on NAS, that's obviously already in our ambition set for FY22 so we're targeting to get to around that mid-teens on NAS EBITDA margins short-term, so as part of FY22 and looking to hold that over the T25 period. And then on - I'll get David to comment in a second further on NAS and let me just finally cover off on high-teens - you spoke about the high-teens EPS CAGR and what is the timing of a potential lift in the fully-franked dividend? As we've said in the capital management framework, we're absolutely going to seek to grow the fully-franked dividend and we've got confidence in maintaining at a minimum of 16 cents of fully-franked dividend.

I'm not going to talk more about the timing of that and in terms of what we've included in calculating that EPS ambition, yes, we've factored in the buyback that will commence soon using part of the proceeds from the Amplitel transaction but there are no further buyback assumptions in that calculation of the high-teens CAGR on EPS growth. And on that note, David, I'll pass across to you on NAS.

David Burns: Thank you. I think you covered a number of the finance points, I would only add one more piece to it as we've committed to growing the portfolio in this fiscal year we can't do that without NAS growing and so that's a clear expectation. The question and its content was spot on. There are some moving parts. Calling apps is a great example of where the disruption of COVID, while volumes are the same the new technologies are significantly less per unit than some of the technologies of two to three years ago. We work our way through that. I mentioned in my content our Next Generation growth around security, around managed services and in particular partnering with the hyperscalers.

That is an area that we expect to cover those challenges and ensure we're in a position of growth and I'm seeking reasonably consistent growth outcomes to achieve the T25 objectives and will continue along those lines and we'll manage those services as we come through. The last piece that I would comment on is NAS does include a lot of the services above and beyond areas such as mobility and IoT and they are core to our growth as well because we will be adding more and more services around those offerings and the industry alignment is critical to that and growing those services and those offerings on top of those market-leading and huge nation-covering coverage –

try saying those three words together – to enable those services to be provided to the businesses we outlined like supply and logistics, agribusiness, mining, etc, that's a real advantage to us. Maybe I'll pause there.

Nathan Burley: Next question comes from Entcho Raykovski from Credit Suisse.

Entcho Raykovski: Good morning all. My question was around the investments and growth pool and M&A in particular. Interested in whether you can provide us with more colour on what areas you might expect to be looking for M&A, is it something similar to Telstra Health or perhaps there are other areas we're exploring. Any detail around quantum would also be quite useful.

Secondly, no announcements around the timing of InfraCo Fixed monetisation but can you give us any more guidance on whether this is likely to be linked to the NBN privatisation or perhaps whether you're pursuing a different timeline and if we assume a standalone monetisation, would a similar structure to Amplitel be most likely? I don't know how much you can provide us but again any colour would be useful.

Finally, the importance of the JB Hi-Fi channel in mobile that you explicitly mentioned, are you able to comment on what percentage of new subs it comprises given there's been a lot of focus more recently on its pricing, whether you see it as ARPU accretive as well or just one channel as part of your overall strategy. Thank you.

Andrew Penn: Thanks very much Entcho. Some comments from me and I'll see if Vicki and or Brendon want to add anything and I'll ask Michael to talk on JB Hi-Fi. I'd say it is one part of our overall multi-channel strategy and the reason there is lots of noise on pricing is candidly because I think one of our competitors has got a bit hot under the collar because it's been particularly successful in targeting customers and winning customers across that are not Telstra customers and incrementally adding value and customers to our network. So we're pretty happy with that partnership. I can let Michael talk more about it.

On the M&A side, no real change in strategy. M&A has been part of our strategy for a good number of years. We've done a number of acquisitions particularly in and around the services space on Enterprise and of course in some of our new businesses particularly in Health. I don't think the overall nature of that is going to change unless something unusual happens or other significant opportunities are presented to us.

Domestically, we're very constrained in the context of doing anything in core telco just by virtue of our scale. I think for competition reasons we would be unlikely to be able to make any type of significant acquisitions in our core business but there are opportunities to enhance some of our capabilities and services through add-ons which we've done in the past in services and we've mentioned Health and the acquisition of MedicalDirector was a particularly exciting and interesting opportunity because, as you can imagine, the GP sits at the apex of much of the health system in Australia and is where you go to get referrals to consultants, to experts, to pathology, it's where all of your tests come back in as well so it's actually quite a strategic focal point so that was pretty important but we also did PowerHealth a couple of weeks before. I think that that will continue to be the case.

It hasn't come up yet today but obviously we've been transparent about the discussions we're having on an ongoing basis in relation to Digicel in the Pacific, that's come up in more unusual circumstances but nonetheless, is interesting. And then in terms of quantum, we're really talking in the tens of millions to the low hundreds of millions. I can't conceive - I'm not going to rule it out but

I can't see anything at the moment that's north of half a billion dollars but, as I say, I'm not ruling it out. I think it's less likely just because of the constraints I've already mentioned.

On InfraCo Fixed monetisation, if we go all the way back to when we launched T22 we said one of the things we were going to do was set up our infrastructure business as a separate business unit within the context of Telstra and we were going to do that for a number of reasons, three in particular - one was to give greater transparency of those assets, secondly to put them into an environment where they're led by CEO as in Brendon and the team whose clear focus is to commercially operationalise those assets to the maximum value as opposed to them just being part of the delivery of our networks and the third reason was to create optionality.

I also said at the time that separating our infrastructure assets out from our core operational business is a non-trivial exercise. We're talking about more than 100 years of history here and it is not much like BHP spinning off South32 or Wesfarmers spinning off Coles. This is integral to our business so teasing it apart is a very complex and detailed exercise and one that needs to take - we need to take a lot of care on which is exactly what we have been doing. We said it would take years and we also said it would be important for us to do that and then to live in that operational world so that we really understood the implications of all of that and Brendon and the team have done an outstanding job on that.

We're absolutely bang on track, if anything we're ahead because not only have we set up as a separate business unit, we expect to set up as separate legal entities and we've done the deal on towers which goes to the point about optionality. I did say that it was optionality in a world post the rollout of the NBN and particularly as we think about a time when NBN privatises, I don't have any particular insights as to when NBN will privatise but my guess is it is a good number of years into the future and probably beyond our T25 strategy even, I would have thought - I don't know that but I'm surmising based on experience I guess and instinct.

That doesn't mean to say however there aren't opportunities for us to monetise some or all of our fixed infrastructure assets in the meantime. But because of the significance of getting the work done on the separation, putting in place the structure and Brendon's really alluded to this already, there's a lot of work to be done on that. That's what our focus is now.

Then as part of T25 we can turn our mind to possible monetisation options and a structure similar to the towers deal is definitely one scenario which is feasible but as I said, there are others as well we could consider subsets of assets or the whole of InfraCo Fixed but as I say, that's something that we're going to turn our minds to when we get into - beyond the end of T22 and get all of the structuring done and all of the final other operational aspects that you would need to be done because ultimately you'd need to get the business into a position where it is due diligenceable, that was a lot of work to do on InfraCo Towers. InfraCo Fixed is probably four or five times the size of InfraCo Towers so you can just imagine what's involved there.

That's probably the comments I would make. I'm not sure, Vicki, if there's anything else you want to add in relation to what I've said or Brendon wants to add on the InfraCo Fixed side and certainly we'll go to Michael as well. Maybe just go quickly to Vicki then Brendon then Michael.

Vicki Brady: Thanks, Andy. Just to add, I think you've covered it incredibly well on the M&A opportunities, obviously we look and focus on those areas that are going to help drive and diversify where growth comes from longer run and as you talked to obviously key acquisitions in Health, in other new markets obviously Energy is an exciting opportunity and you spoke about obviously the Digicel opportunity that continues to be under review. And just the final piece will be our services business, are there areas where we can expand services growth so that's what I would say in terms of what are broadly the focus areas from M&A. That doesn't rule out other things but definitely diversifying growth longer run and helping to support ambitions overall for the business are key. Brendon I might hand across to you.

Brendon Riley: Yeah, thanks, Vicki. Andy, I think you answered it very, very comprehensively. I don't have anything further to add.

Nathan Burley: Let's go to Michael to answer the third question.

Michael Ackland: Great. Thanks. I think JB Hi-Fi is an important part of our distribution mix. To give you a sense, in terms of gross adds it varies quite a lot month to month as you can imagine. Some months it's as high as 20-25% of our gross adds in postpaid and from an ARPU or value perspective, it's proven to be incredibly resilient and if you look at our prices in JB over the last few years we've lifted value there significantly so it's a really accretive channel for us and it's been very effective at attracting high-value customers. That's it from me, Nathan.

Nathan Burley: Great. The next question comes from Darren Leung from Macquarie.

Darren Leung: Good morning. Thank you, guys. I just had two questions, please. The first one is more nearer term on the mobile market piece so appreciate JB Hi-Fi has been doing well but is there any update on the $85 price point given one of your competitors has started offering an all you can eat plan at this price point and initial thoughts on how you respond to this? And the second one is on your competitive edge in the energy business, how should we think about quantifying this? We can look at top five market share but does it matter in the context of your business and how much of your Telstra Plus customer base will you manage to convert? Then the final piece is how are you thinking about managing the commodity risk here?

Andrew Penn: Thank you. Look, on the mobile market I might get - I think that's probably a question directly for Michael and then also Michael can comment on Energy as well but in terms of competitive edge, we did quite lot of work on this a few years ago actually and we already refer quite a large number of customers to energy companies because we don't offer an energy service ourselves at the moment and we did quite a bit of research to see what proportion of customers would be interested in acquiring an energy service from Telstra which would be a renewable certified energy so it's going to be a very green product.

We've obviously got 3.6 million fixed broadband customers, you've also referenced our Telstra Plus customers, there is 3.5 million there and we plan to get to 6 million. We’ve also got 8 million postpaid handheld customers. Some and/or all of those overlap but we don't have to get a particularly unbelievable level of penetration into that customer base to get into that top five which we estimate you would have to get between half a million and 750,000 subscribers.

The other lever we can pull as well - the reason I should say we've held off until now to do something is we wanted to get our new digital platforms in place so we now have a completely new CRM system in place that gives us a lot more capability and functionality to manage customer interaction and really manage an omni-channel approach for customers and track customers' lifetime experiences through their experience with it. So there's a lot of capabilities we can bring to bear then I've also referenced as well we've got quite a bit of technology in customers' homes at the moment which gives us some quite interesting opportunities to help customers better manage their energy and give them better transparency of how they're utilising energy both through the Telstra Smart Modem, Telstra TV, the Wi-Fi Doctor and also we'll also be putting smart meters in for every one our customers we'll start from scratch and we don't have a back book to protect on energy so there are some of the dimensions and dynamics of it.

I might pass over to Michael to talk about - add anything on energy because it will be a consumer play and then also to talk about the mobile market competitive dynamics and Vicki may want to comment on the risk management stuff albeit we are going to come back and do a deep dive on Health and Energy and International at the Investor Day in November. I just felt there was so much we were trying to share with you today we want to focus on the big ticket items from an economic standpoint, we just thought if we tried to do it all today we wouldn't do it justice. We will do a deep dive so may be able to pick it up then. Let me pass to Michael and see if Vicki's got anything to add.

Michael Ackland: Thank you. I think you nailed it on energy. The opportunity is we're there when people are moving and we refer a lot of customers already. You mentioned Telstra Plus which is absolutely a way to add to the value proposition and I think the work that we've done in terms of creating what will be a fantastic integrated experience in terms of the day-to-day experience as well as the ability to integrate the technology in the homes. I think Andy's covered those well.

On the mobile market and that $85 price point, it’s not a big part of the market and we haven't seen any real movement from the unlimited offering there and then but I think it's a move that we've all been expecting and anchoring it with that competitor at $85 I think is probably a positive position to be in. So we haven't seen any real impact yet but as we spoke about, we'll be - our objective is to move towards more of those experienced based plan tiers and with the increasing data inclusions we're seeing in the market for the last period of time that has pulled the plan tiers together a bit and experiences are our opportunity including 5G to spread that out and give people who have a willingness and a need the opportunity to get - to move into the higher plan tiers for different experiences.

Vicki Brady: Just to cover off on the question related to the energy commodity pricing risk which I think is what you were asking about, so as we prepare to launch into energy, one of the areas of focus where we have developed very comprehensive policy and procedures and controls is absolutely the risk that you flagged and called out. The thing I would say is firstly we have some great depth of knowledge and talent in our energy business who have a lot of experience in this so that's been incredibly helpful as we've developed those policies and procedures. We also have very strong capability in our Treasury team as well, as well as obviously through this we have sought external input from some experts as well so I don't want to sound complacent. We are very aware of this risk but I feel we're well prepared and understand how to manage that risk and mitigate it particularly obviously we'll have a chance to learn that in the early stages as we're building the energy business but we have in place and ready to go detailed policies and procedures to be able to manage and keep on top of that risk so back to you, Nathan.

Nathan Burley: Thank you. The next question comes from Roger Samuel from Jefferies.

Roger Samuel: Hi. First question is just going back to the energy question. To get from where you are today and to become top five energy retailer in FY25, do you think that you need to acquire a large energy generation asset or retailer to get there? And my second question is on your $500 million in net fixed cost reduction, is it fair to say it is going to be front loaded so more in FY23 than FY25? Just the phasing of that $500 million?

Andrew Penn: Thanks, Roger. I'll get Vicki to comment on the productivity one. On the question for us though, no, getting into the top five is not predicated on us doing a large acquisition either of a retailer or an energy generation company. It not predicated on that. It is predicated on an organic approach targeting our customer base. We have probably about 7% of our customers move every year, so that is a significant trigger point, as well as just we've got a very significant customer base as Michael has already referred to and we can leverage our Telstra Plus loyalty program as well.

It doesn't mean to say we wouldn't consider acquisitions but we're not - it's not predicated and that's not necessarily our strategy. To be honest, I'm not sure that is really going to be helpful to our strategy to - one of the things we see is the energy industry would benefit from a refresh in terms of the sorts of products and services. There is a lot of legacy in there. I'm not sure we want to buy or invest in legacy but there may be opportunities that add value to our strategy, but as I say it's not predicated on it.

Vicki Brady: Thanks Andy and thanks Roger for that question. The $500 million of net fixed cost out, it's over a relatively, I guess, short period when you think it's FY23, 24, 25, so three years. What it will be linked to in terms of phasing, a key component of those additional cost savings really come from leveraging the full benefits of the migration of customers to the new digital stack, achieving those efficiencies in terms of back of house support areas as we transition fully to the digital stack. So, in terms of phasing, maybe slightly front end loaded but I wouldn't say as I look at it that I think there is a really heavy swing in that phasing. I mean, it will be very much linked to us to continuing to deliver those operational efficiency benefits that we really are leveraging from the T22 foundations. Thanks Nathan.

Nathan Burley: Our next question is from Tom Beadle from UBS.

Tom Beadle: Hi guys. Thanks for the opportunity to ask questions. First one for Michael. You spoke about expanding your multi-brand reach through partnerships. Can you go into a bit more detail like what are the types of partners you're looking for? JB Hi-Fi has been very successful, are you looking for other retailers to partner with or businesses in other categories and how might these partnerships be structured?

And then just a second question on costs. I realise we've spoken about them a bit but just wondering if you could quantify how much of the $500 million is from savings from shutting down your fixed copper networks that isn't in the FY22 base already, that is. And also are you assuming any fixed wireless substitution in there or could any potential migration of customers to fixed wireless be incremental to this. And a third related question to that, probably depends on the answer to the second one, maybe another way to put it on the fixed wireless is: are you assuming a meaningful contribution from it in the aspiration to grow EBITDA by mid-single digit out to 2025 or could meaningful contribution from fixed wireless result in upside to that number? Thanks.

Andrew Penn: Thanks Tom. I'll get - Michael can probably comment on fixed wireless and on the multi-brand thing and I'll get Vicki to talk about the cost. Just one thing to be clear, on fixed wireless, to the extent it would - it's not really having an impact on our cost position in the sense that any costs associated with reselling NBN in the main which is mainly the NBN costs itself, are not included - they're essentially in DVCs, I think, aren't they, Vicki, not in the cost base from which we're going to take out $500 million on top of the $2.7 billion so in a sense it doesn't really affect that but I do acknowledge it potentially has impact on EBITDA. But we're not assuming a material contribution to the improvements in EBITDA from fixed wireless. There will be some but not material in the scheme of things.

Why don't I hand over to Michael to pick up on the multi-brand thing to make any comments on fixed wireless then we'll go to Vicki to make sure I'm on the money from a financial point of view.

Michael Ackland: Thanks Andy. On the agency agreements, we're looking at a range of different kinds of partners, those that have access to a customer base, have a relationship with a customer base for which this would add value to their offering and that could be other retailers but could be a range of other partners in the market. The structure of those could vary from an agency revenue share to brand licensing to a sales commission kind of model and we've got experience with all of those and really the objective with those is to provide another way to reach different groups of customers and to leverage the relationships those brands have with them.

For fixed wireless, we already have customers on fixed wireless and we have been doing that in a really targeted below the line way. We will go much more above the line with fixed wireless offerings towards the back end of this calendar year. We think there is an opportunity. The thing we're very focused on though is a little bit that point around being technology-agnostic and to use the technology for someone's home that is going to give them the best experience that they can get relative to their needs and the experiences they want and that may be fixed wireless in some cases, 4G or 5G fixed wireless in some cases for many households and that will change as spectrum rolls out and other things occur. But it could also be - and we want to be very disciplined on that - it could also be that the best experience for them will be on a fixed connection. So, above the line as we go into the back end of this year and we think that opportunity will get bigger as spectrum - different spectrum bands in 5G roll out and how that plays forward. Back to you, Vicki.

Vicki Brady: Thanks Michael and Andy. Yes, you were spot on the money in terms of that point about the $500 million of cost out is out of our fixed costs and so the fixed wireless question around if there was more fixed wireless would that help achieve the $500 million, it would help us on our variable costs not on fixed costs so you were spot on. And Tom, you asked out of that $500 million of cost out was the reduction in copper legacy support costs a big contributor?

We continue to obviously manage those as tightly as we can but as we've spoken to before, to meet the obligations of the last 8% it does require a lot more of our copper network than 8% just given geographically that's very spread out in terms of servicing those customers. What is critical in the fixed cost ambition, the $500 million, I would say right at the front of that is again our ability to decommission IT legacy systems and consolidate platforms and that's enabled through the investment we've made in the new digital stack and transition of customers on to that.

The second piece I would say linked to it but very much focused on our Enterprise business is again as we do that transition across we see opportunities through the benchmarking there to really continue to drive not just customer experience benefits but cost benefits in the ease and simplicity in terms of all the way from order to activation to assurance so I would certainly call out those areas as key focus areas in that $500 million rather than the copper legacy cost reductions. So Nathan, back to you.

Nathan Burley: The next question comes from Nick Harris from Morgans.

Nick Harris: Thanks and good afternoon, everyone. Three questions from me. Just first one on the consumer energy target. I want to get my head around the positioning. Trying to clarify - can you clarify that it's not about selling energy cheaper than incumbents, it’s more about adding value on the top with clean-energy and smart homes and if that is the case is it really an extension of your somewhat new go to market looking at in-house retail stores, get locals turning up at houses and doing smart homes, that sort of thing, that's the first question.

Second one for Brendon on InfraCo. Obviously, Telstra's got some pretty significant infrastructure. You have announced a couple of upgrades there, 6,000 kilometres of fibre and some data centre upgrades. Could you talk a bit about the logic behind what you're doing there, for instance is some of that fibre upgrade helping lower that last 8% copper legacy cost that Vicki talked about or are you expanding network to new locations? And the last one on M&A, appreciate you can't do anything domestically but would you consider overseas telco acquisitions, expanding your significant fibre network, your submarine cable network? Thanks.

Andrew Penn: Thanks Nick. Just a couple of comments from me. On the consumer energy one and Michael might want to comment, I'll maybe go to him in a second but it's not fundamentally a - looking to undercut the current operators, albeit I do observe that, unlike us, we've very much moved to a world where we're trying to get all of our customers on in-market plans from a telco point of view so no customers are left on old legacy plans which are candidly not in their best interests and they're actually on the best current marketing plans.

We're not necessarily looking to be a price leader or to compete overly on price in relation to what's in the market at the moment. We're looking to compete on service, on differentiation and on leveraging as we said our existing customer relationships and then also leveraging some of our technologies that we're doing and also leveraging our leadership position in relation to offering a green or more of a renewable supported proposition so that's the comment on energy.

I'll let Brendon comment on InfraCo. But just in relation to M&A I should say, and I didn't comment on it earlier, interestingly, I think setting up InfraCo the way we have that may also open up opportunities on the M&A front as well. I still think we're a very big infrastructure entity so there are going to be market concentration considerations in that regard but it may offer other opportunities from an M&A perspective and I'll let Brendon speak about projects.

In terms of overseas acquisitions, I referenced Digicel this morning. I think that is a fairly unique set of circumstances. We do have obviously a very extensive submarine cable network throughout the Asia Pacific region and points of presence in 200 countries around the world as well and as I mentioned I think that the - our international network is growing in its strategic significance and importance so we're certainly looking very thoughtfully at that business as to how we can leverage that and continue to grow. I wouldn't put M&A in there as a key priority but again if opportunities presented themselves - and I'm not suggesting that's highly likely - but if they did, we would certainly be in a position to think about them but it is not something central to our strategy or we're actively pursuing at the moment.

Similarly, as with Energy and Health, we will come back and talk a bit more about International at the next Investor Day in a couple of months' time. So, with that, I don't know if there is anything else, Michael, you wanted to add on energy otherwise I'll go to Brendon. Just on the way through, Michael.

Michael Ackland: No, I think, Andy, you covered it, and, Nick, the answer to the question is, yes, we want to over time see our energy proposition as absolutely core to the home proposition and that will include the integration of the technology that Andy talked about but also over time the integration of a service proposition to help people get the most of the technology in their home. Over to you, Brendon.

Brendon Riley: Thanks very much Michael and thanks for the questions Nick. The two main areas of development I spoke about in my comments was firstly on data centres itself. So we've got some fantastic facilities not only large purpose-built data centres but some of our large fixed network sites. We used to call them exchanges. We call them large fixed network sites now and a number of those across Australia are data centre-like so we've announced a new set of offerings to drive the utilisation, increase our utilisation of those facilities so that's the first major initiative we've announced and the second major initiative was in and around dark fibre.

We haven't been in the dark fibre market even though many - the industry and a lot of our customers have wanted to enter into the dark fibre market and so we've launched a number of products, we've got another six products to come and that dark fibre connects major facilities. Our facilities, major data centres across the nation, NBN points of interconnect. So they are the two major things we discussed today.

In relation to the 6,000 kilometres of new fibre you need to think of three segments, the first is the dark fibre itself we have modelled and anticipate selling. There's a Wholesale business which sells a set of wholesale active services that requires more fibre and then there's David's Enterprise business which also requires more fibre. Of course, Telstra itself in terms of all the services it delivers including all of the fibre that it needs to power the mobile network also has a set of needs so the 6,000 kilometres of new fibre is really - sweeps up all of those different categories.

What we haven't included in the 6,000 kilometres is any new substantial investments that we will be making in fibre and that's likely to come from two sources. First, major new customer deals and then the second would be any nation-building activities that we would undertake. Andy's indicated we'll have another investor update in November and I anticipate providing a little bit more colour on some of those areas in November. Thank you.

Nathan Burley: Excellent. The next question is from Ian Martin from New Street Research.

Ian Martin: Thanks for that. Andy, thanks for sharing that plan with us, T25. It looks like a good follow up to T22. Pretty comprehensive. Three areas that might impact that that you don't have direct control over, two NBN-related. We're seeing quite a debate emerge over NBN access pricing and in the past I think you've been careful to say that you haven't got any assumptions built into the mid-teens margins you're looking at in Consumer and Small Business. But I just wonder how important it is for this plan over the periods to FY25 for increasing EBITDA to get some resolution of the NBN pricing structure and level.

Secondly, a bigger NBN impact is likely in terms of their ongoing impact in the Enterprise market where they're expanding with the support of a taxpayer-backed cost of capital. Again, how important is it to resolve that issue in order to achieve those three or four year targets?

And thirdly, an area we've talked about in the past is when we've seen these big strategic investments and strategic plans we've got a situation where the telcos did the heavy lifting in terms of investment but a lot of the benefit flows through to OTT and streaming services and so on. I wonder what you can share with us about your commercial arrangements with the likes of the Cloud operators, Microsoft, AWS and so on and just in terms of how the risk is shared and how the reward is shared over that three or four year period.

Andrew Penn: Thanks very much, Ian. Thanks for your kind comments. I might take the one on access pricing and I might get David Burns to talk about the NBN impact on the enterprise market and David can also talk a little bit to our partnerships with people like AWS and Microsoft as a bit of an indication as to those commercial arrangements but I think part of your bigger point is you're spot on. I think historically the telcos have done a lot of heavy lifting in investing the capital to create the platform to enable the digital economy but they have been less effective at then really capturing the value that's been created and it has been more over-the-top players and services that have captured that.

I think - David will comment more specifically about a couple of those partnerships - but what I would say is that - and this is to be honest something I have been saying since - and advocating and endeavouring to do since I became the CEO is we've got to build these new capabilities in new areas in software engineering and data analytics and we’ve got to be better at how we architect our network.

We’ve talked a bit about how we're going to move 90% of our workloads to the Cloud, but also having an API-led architecture that's really important for monetisation, it all gets a bit techie and we'll go into a bit more detail on it when we get to the Investor Day in November but they are really important points enabling monetisation. I think the other thing, as I said in that, by integrating more software capability into how we manage the network we're actually much more able to dynamically manage the different parts of network functionality. So things like capacity, speed, latency, resiliency and security. Historically those things were set and forget up front and in a service whereas if we can dynamically manage them, that enables us to improve how we are able to monetise. The other piece is the pivot towards focusing on industry solutions. I'll let David talk more about that as well.

I think the simple point on NBN access pricing to me has been really just the impact on customers and consumers which was I've always maintained the position either one or two things is going to have to happen. Either retail prices are going to have to go up or wholesale prices are going to come down. I think now is the right time to look at the wholesale pricing model. The NBN is now fully rolled out. You'll see a building block model has been put forward. That is the right way to look at it. And I think that's pointing towards NBN wholesale prices closer to the sorts of numbers that I'd been advocating for in the past but our strategic plan and financial trajectory is not dependent on that. We've got to get to our mid-teens EBITDA margin without depending on wholesale price reductions and that's endeavouring what we're going to do. I won't say it's easy. It is a pretty ambitious target but it's not predicated on those wholesale prices. With that said, I'll hand over to David to talk about NBN in the Enterprise market and some of those partnerships we have.

David Burns: Thanks, Andy. I made a comment in my content that the fixed market is being highly disrupted and the NBN allows many, many others to enter into the marketplace and so that's - how we've responded is both to make our Telstra fibre offerings more adaptive and flexible, I'll come back to that in a moment, but also partner with NBN where we don't have fibre, consistent with many of us in the industry where we don't have fibre and NBN do, good capital management. We're going to partner with NBN and that's something we have engaged in very strongly over the last half a year or so and being very successful with those range of offerings. So I mentioned Adaptive Networks was our product offering and where we've separated the connectivity and access layer and what that enables us to do is provide variability in product options for our customers and volume options meaning they can move up and down in capacity, something no-one else does in the marketplace, and where there's also ethernet requirements from our customers, that's both Telstra where available and NBN where not available offerings we provide.

The NBN offerings are very quite formally and structured part of our Adaptive Network offering suite which we provide to customers and embrace that where it's needed and also if it's about resiliency and customers want alternative suppliers which some customers do, the Telstra network is highly resilient but some customers like a second network provider in amongst that. NBN continue to challenge in that marketplace. Recently they reduced their prices which is going to have an impact on all of us and will continue to both challenge where we have fibre and partner where we don't and I think that will continue for the next 12 to 18 months which is why I made the comment that I think the market will further disrupt and we'll be very active in amongst that. I think we're well positioned to get ourselves back into that growth space.

Let me turn to the second question which is partnering with the hyperscalers. If you're going to partner with the hyperscalers it is a big in by both parties, ourselves and in our instance with all of the major hyperscalers but in particular with AWS and with Azure. I now have hundreds of fully trained technicians in all aspects of the Amazon AWS product and the Microsoft Azure product. It's quite formally structured in how we seek and look for go to market opportunities together and a huge differentiator for Telstra and for me is Purple because that enables me to have the volume of resources, the volume of talent and the partnerships to those key hyperscalers that others will struggle to meet in scale and depth and so we're significantly in on those relationships.

The highest level of commitment we make to them and they make to us in their partnership strategies and then on top of that, for example with AWS we partner with Nikos and the Network group about how we can export Cloud at the Edge on Telstra's network on a differentiated banner. It is a very significant relationship and commitment for both sides and we're in for that. It enables greater areas of opportunity for us so it's not only the return that the partnering of the hyperscalers give us but it is the ancillary services and ancillary products and offerings that we get to provide.

Very few of our customers have a one-Cloud environment. They usually have a multi-Cloud environment, so how can we help them manage that multi-cloud across our network and be able to switch between those Cloud providers and help from a Cloud management area as well as meeting our customers' business needs and opportunities. So huge commitment from both of us and very excited about what it can bring. Let me pause there and hand you back to Nathan.

Nathan Burley: Our next question is from Fraser McLeish from MST.

Fraser McLeish: Great, thanks. Just a quick one from me. Just on that plan to double your metro cell sites by FY25, is that aimed at home wireless or is that what you need to do for mobility? And also, where will the Capex fall for that? Will that be done by Amplitel or was that going to be in ServeCo? Thanks.

Andrew Penn: Thanks very much Fraser. The way telecommunications topography works is when you put up a macro cell which is a main tower, you create coverage across a broader area, notwithstanding the fact you've got coverage over the broader area, the coverage within that area is not consistent because you've got different topography and different impacts from buildings and from foliage and from various different aspects going on within that area and also you get different usage within that area.

That situation is increased as you can imagine in metro more than in regional because a macro area might cover several square kilometres of coverage but within several square kilometres of coverage you've got very different dynamics going on. We use small cells to in-fill those various different parts of that overall coverage to increase capacity and increase density to basically really just super boost up the overall network performance. So it could support more people using a fixed wireless solution but it's not primarily focused on that. It is primarily focused on building capacity and density within the network so not only have you got coverage but you've got really good speeds and performance as well.

As far as the Capex is concerned to it, it is implicit in the Capex guidance or outlook that we've provided in Vicki's presentation. In terms of how we execute on small cells, I might pass over to Brendon and he can tell you how that works because the thing about small cells is sometimes they come with their own structure and sometimes they don't. Brendon.

Brendon Riley: Thanks very much, Andy. We work collaboratively with Telstra and others in the industry on small cells so typically there's a lot of long-range planning on the topology required and we'll work to identify the site and location and get the passive dimensions of all of that infrastructure prepared and then that enables Telstra to deploy the actors. Essentially that's how we work the small cell side.

In relation to the existing infrastructure, there's obviously already a lot out there. We have a lot of poles so we have a very, very big portfolio of poles and there will also be a set of existing sites where Telstra can very, very quickly deploy small cells so it works very, very similar to how we would work in macro but we'd expect there's probably going to be a little bit more leverage of the existing infrastructure and poles that we have which is pretty sophisticated. Thanks, I'll pass back to Nathan.

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

Brian Han: Thanks. On capital management, you said Telstra will preserve discretion to go outside their financial criteria that you mentioned for doing M&A. Would it be too cynical to think that any big acquisition would be justified as strategic so that those criteria don't really mean much in practice? And my second question is: can you please remind me how long does the peak and trough in industry Capex cycle last for telcos? And do you think 5G will shorten or lengthen the current trough Capex cycle? Thanks.

Andrew Penn: Thanks very much, Brian. Whether it would be too cynical to assume that anything could be strategic would depend on how cynical you are, I guess. No, hopefully we are trying to be very accountable here and I think one of the things we have demonstrated is we are pretty disciplined when it comes to capital management. We are pretty disciplined when it comes to running the overall business and by putting lot of metrics out there, I mean candidly, I think we put out more metrics, more frameworks more aspirations, more targets than probably any other major listed company in Australia and frankly right now I think that's a good thing because I think we do need to provide clarity of direction particularly at a time when I know there's a lot of uncertainty around us because of COVID and we've seen certain companies have therefore shied away and perhaps been a little bit more conservative in terms of their outlook.

We've actually decided to go the other way which is to be bold, we want to be clear what our strategy is, we want to be clear what our ambitions are. As I said when I was commenting earlier, we have got a very detailed scorecard there. I suspect like T22, we will not hit every metric 100%. I'm sure we won't. But overwhelmingly, if we hit the majority of them as we have in T22 where we've nailed at least 80% of them we will have transformed the company again.

On the capital management framework, we're trying to demonstrate and hold ourselves accountable and show you what those M&A criteria are. And to be frank, MedicalDirector was one deal we did recently which didn't quite meet the M&A criteria, it was more a timing issue than an absolute issue but they didn't. That is, as I have referenced previously, a strategically very important asset for I think reasons that can be pretty obvious if what we're trying to do is create a digitally enabled health system by connecting the various different parts of it. You think about what sits at the heart of that, it's the GP and what does the GP use, the GP uses their practice management system so getting hold of that asset for a very significant proportion of the market is clearly very important and so that was a very good strategic rationale to do it but I would expect us not to use that, if you like, discretion or exemption particularly often.

It's more just that we do need to give ourselves the room to be able to do so if assets come up like that, that are really strategically important. Otherwise we will be very much holding ourselves to account as indeed, and Vicki can confirm this, on pretty much all acquisitions we've done over the last few years have met our requirements and our benchmarks.

In terms of the peaks and troughs of telco network Capex, competitively the dynamic has obviously been that people tend to invest more Capex at the beginning of the rollout cycle of the Gs. The Gs have tended to follow a sort of 8 to 10 year pattern so we first started rolling out 4G in 2011, 5G in 2019, 3G was in the mid-2000s and of course obviously the spectrum investments tend to come at the beginning of those periods as well because often you're moving to a new G it's coming on a new spectrum band as well.

I think as we move forward to a world where we've got much more software enabled networks where the hardware and software is becoming separated, for example the 4G equipment that we're putting in now is software upgradeable to 5G. That's actually going to make quite a bit of difference in terms of both the long-term Capex efficiency but also the cyclicality, I think we will be able to move to a world where you're not suddenly ripping out lots of equipment or having to rollout lots of new equipment to upgrade to a new G, you're actually software upgrading that new G using existing antennas and existing infrastructure as well.

But typically the cycle has followed that sort of 8 to 10 year cycle, I think has been the history of it but as we move to a more software enabled network, I think that's going to ultimately balance or equalise out. I'm not saying the overall Capex is going to go down but I suspect it will smooth out over the longer term.

Nathan Burley: Thanks Andy. We are now going to have our last investor and analyst question after which we will move to media Q&A. So if you're media on the line and would like to ask a question please press star 1 to register a question. Our last investor and analyst question comes from Rod Sleath from Rimor Equity Research.

Rod Sleath: Thank you for taking my questions and for managing to get me in. I’ve got a couple of questions, first I guess I would like to come back to the mid-digit mobile revenue growth and I understand that there's a number of levers in there including relatively new products such as the wireless broadband and continuing growth in IoT, revenue coming back from roaming, etc.

But I'm just curious, within that, are you - do you believe you would be able to make that mid-single digit target without ARPU increases on the Consumer portion of your business? It seems to me there is a lot of potential for growth in the Enterprise from 5G but I'm just wondering if we can still continue to see this step up in ARPU you have described recently as a result of people wanting to adopt 5G when there doesn't really seem to be a lot of additional functionality they're getting for a consumer, for a retail consumer.

Andrew Penn: Michael, do you want to take that?

Michael Ackland: I will. So, absolutely to get mid-single digit [service] revenue growth in mobile we are assuming and we are relying on ARPU growth in the Consumer business as well as all of those other things you described. We’re expecting that growth, I think, to be not the kind of step change we’ve seen in the last little while but we do believe there will be an opportunity to differentiate on experiences and to differentiate on the kind of experiences that people will be willing to pay for and, as I said, what we've seen over the last five or six years as ARPUs have come down by at least that amount over the last five or six years is as data inclusions have increased they've pulled everyone into the mid tiers.

So with things like being able to optimise around a work from anywhere mobile experience that optimises the experience we're having right now on your mobile to optimising for gaming to optimising for streaming, to prioritising your use so that when you're in a congested area you get some priority, so I think those use cases are still to come. Speed is absolutely one thing and 5G is delivering a speed now but the opportunity is that 5G can deliver in terms of our ability as Andy said to deliver a software optimised experience we do believe can get some of that structure back into the plan tiers across the market and lift ARPU.

Rod Sleath: Great, thanks. Can I just ask on the wireless broadband, obviously TPG and Optus have been talking about that somewhat more so than what you have but I'm just curious, I was looking back at the 2011 press release with regards to the original NBN agreement and are you relatively more constrained than your competitors in terms of promoting fixed wireless as a result of that agreement with NBN at the time?

Andrew Penn: There's a couple of ways to think about this Rod. I have always maintained that what we need to be guided by is what’s in the best interest of customers. And whilst fixed wireless, including using 5G, is definitely a technology that's going to be good for some customers in certain circumstances as an alternative to the NBN, it's not necessarily the right technology in all circumstances particularly if a customer's got a fibre to the home service or a maybe HFC service and so what's important first and foremost is that customers get sold the right technology for their circumstances.

There are certain customers clearly that maybe they've got an old copper line service or fibre to the node and maybe it's struggling to get speeds where a fixed wireless solution is a great potential alternative and so therefore our approach has been to identify and engage with those customers. As a separate matter to your point, when we went through all of the NBN agreements, there are certain contractual aspects that mean that if we were to effectively compete in mobile against the NBN then that could have implications if it were material. At the sorts of levels we're talking about I don't think it's particularly material and, as I say, providing what's in the best interests of customers, that is what I think is going to be the determining factor.

I have always been consistent in saying maybe 10-15% of customers in Australia may be serviceable using a fixed wireless solution. By the way, NBN also services 5% of the population using fixed wireless. People somehow seem to miss that point but in the last 8%, NBN is servicing 5% of customers using fixed wireless and 3% using satellite and the fixed wireless technology is exactly the fixed wireless technology the operators are looking to use.

In a sense conceptually it is the same technology using 4G and will be upgraded to 5G. But there is a proportion of the population for which the technology is a very viable alternative but I think it would be misleading and wrong to assume that a very significant proportion of customers are going to move to fixed wireless and I think would be the wrong thing to do. The other thing of course is NBN will continue to upgrade its network and so as you saw last year in their plans and budgets and updates the government announced a $4.5 billion additional investment - sorry to support NBN with $4.5 billion additional investment of which at least a couple of billion is going into upgrading fibre to the node to fibre to the curb and capacity and speeds, etc. It’s also not a static environment.

Nathan Burley: Thank you, Andy. Thank you to all the analysts for their questions. I'll now hand over to Nicole McKechnie who will moderate the media Q&A.

Nicole McKechnie: Thanks very much Nathan. We've got a couple of questions today. I think it should be a reasonably short one but a couple of questions so far from the team and just don't forget if you do want to ask any questions, press star 1 and we'll get those questions to Andy. So the first one is from Zoe Samios. Zoe, over to you.

Zoe Samios: Thanks Nic. Hi everyone. Thank you for the presentation today. Just two from me. With the $500 million cost cuts over the next few years, is that going to impact on jobs? If so, is there a ballpark figure of how many jobs that will affect? Secondly, on Digicel, I know you mentioned it briefly before, Andy, if that transaction does go ahead how does it fit into the T25 strategy?

Andrew Penn: Thanks very much Zoe. On the first one, the $500 million, one of the things I've said to the teams today was of course headcount reduction was quite a significant feature of our T22 project and our T22 program, rather, and I made the point today with our teams it is not a feature of our T25 strategy. In terms of the job reductions for T22, we're essentially done on those and so we don't expect to see material changes to our headcount and significant job reductions going forward. I make the caveat, however, having said that, that obviously we're a very large complex company, we're constantly changing, customer needs are constantly evolving, customers are adopting digital ways of working so there will be organisational changes and that will impact roles going forward but there is not a wholesale or big headcount reduction as part of T25. I'll get Vicki to talk about where some of the cost reductions perhaps some from so that will give that a bit of colour.

On Digicel, if we were to proceed with that transaction a couple of points to make is firstly, it's not included in any of the financial ambitions or the guidance we have provided so far and secondly, as you know we're going through the process of restructuring Telstra into a new contemporary structure and that will create four subsidiaries: InfraCo Fixed, InfraCo Towers or Amplitel, ServeCo and Telstra International and were we to acquire it, we would effectively operate and run it under our International business relatively independently to the other parts of the business as well. That's how we would do that. But Vicki, on the cost out thing, you want to just maybe comment with a bit of colour on where that comes from?

Vicki Brady: Absolutely. Thanks Andy and thanks Zoe for the question. The thing I would focus on in that cost out, the biggest driver of it is really leveraging the benefits of the digitisation program that we have been running under T22. So components there include reduction in our IT costs as we decommission legacy systems and consolidate platforms and really the efficiency that drives back of house in our business so that would be the key thing I'd flag. Andy.

Nicole McKechnie: Thanks very much, Vicki. Appreciate it. Thanks, Zoe. The next question comes from Lucas Baird from the AFR. Hi, Lucas.

Lucas Baird: Andy, I was just wondering, given the strategy goes out to 2025 now, I'm assuming your plan is to stay with Telstra all the way to the end of T25? I'm wondering also when we get to the end of the FY25 whether that's where you call it curtains and see your time with Telstra ending? Then just another thing on the disruption to the scheme about splitting into the four-pronged structure, does that impact anything around the timelines of monetisation of InfraCo Fixed?

Andrew Penn: Thanks very much, Lucas. On the first one, I obviously understand why there's speculation around my plans at a time when we're announcing a new strategy but what I would say is we're here today to talk about T25. T25 has been a collective effort. There is a whole team involved in creating it and the whole team will be involved in leading it just as much as they were on T22, involved in creating T22 and leading T22. But candidly, I'm as excited to be part of this next strategy as I was part of the previous strategy. That's really my comments in relation to the first point.

On the second point, I think I alluded to this in a previous question with one of the analysts. Look the establishment of InfraCo as a separate standalone business unit and now putting it in place with a corporate restructure is a non-trivial exercise. It is an enormous amount of work involved. This is basically creating four subsidiaries under a holding company. You heard me today reference that the fact the government is in fact in the process of developing legislation which will be introduced into parliament soon that actually seeks to ensure that the legislation that currently applies to Telstra Corporation equivalently applies to the new structure and so all of that needs to be put in place. We are incredibly well progressed on that.

If you take into account the complexity and scale of what's involved and we always said going all the way back to when we launched T22 that to the extent that we would consider any monetisation options that would be after we'd effectively completed T22, once the NBN had fully rolled out so nothing's changed in all of those plans and the timing's not been affected and we're not behind where it would need to be. I did say earlier that we thought we'd do the scheme meeting this year. I think as it transpires it is probably going to be early next year just because of the impact of getting all of those approvals and processes and stuff in place particularly in the context of COVID which hasn't necessarily - rather, has had its impacts as well just in terms of when parliament meets and all sorts of other things. I think we're in a good place.

What we said we would do is we would set up InfraCo as a standalone separate business unit to give us optionality and drive performance and growth as part of T22 and that's exactly what we will have done. That would be my comment so thank you, Lucas.

Nicole McKechnie: Great, thanks Lucas. We do not have any other questions for today so we might call it a day there. Thank you very much everyone, for coming along. I appreciate all of the questions and have a fabulous day. Cheers.