



12 August 2022

The Manager

Market Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Office of the Company Secretary

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

General Enquiries 03 8647 4838
Facsimile 03 9650 0989
companysecretary@team.telstra.com

Investor Relations
Tel: 1800 880 679
investor.relations@team.telstra.com

ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Full Year Results Presentation, 11 August 2022 – Transcript

In accordance with the listing rules, I attach a copy of the transcript from the analyst and media briefing held on Thursday 11 August 2022, in relation to Telstra's results for the full year ended 30 June 2022, for release to the market.

Authorised for lodgement

Sue Laver
Company Secretary

Introduction

Nathan Burley: Good morning, and welcome to Telstra's Full Year Financial Results 2022 presentation. My name is Nathan Burley, Head of Investor Relations. I respectfully acknowledge that I am joining today from the lands of the Kulin nation. On behalf of Telstra, I would like to acknowledge and pay my respects to the traditional custodians of country throughout Australia, and recognise their continued connection to land, waters and culture. We pay our respects to their Elders past, present and emerging.

This morning after presentations from our CEO Andy Penn, and CFO Vicki Brady, we will be taking questions from analysts and investors, and then media. I'll now hand over to Andy Penn. Andy.

Presentation from Andrew Penn

Andrew Penn: Well, thanks very much, Nathan, and good morning and welcome to Telstra's results announcement for the financial year ended 30 June 2022. It was a year in which we saw our underlying business continue to grow, and a year in which we closed out our T22 strategy, and saw the benefits from this flow through to our customers, our employees and to our shareholders.

It was also a year in which we announced the transition to T25, a strategy for growth. A strategy that leverages the foundation and capabilities that we have built over the last few years. And of course, it is also my last results announcement as the CEO of Telstra. And I am incredibly proud of what we have achieved as a team.

When we launched our T22 strategy four years ago, we were in part, of course, responding to the operational and financial headwinds created by the rollout of the NBN. We were also responding though to the technology innovation that we could see around us, and the growing rate of digital adoption. We knew that we needed to fundamentally transform the company to simplify and digitise, to set bold aspirations and take radical intervention. And that is exactly what we have done.

Telstra is a very different company today. And while of course, there is always more to do, we are much better equipped to face the very exciting digital future ahead.

This is important, because the world is also a very different place. What we could not have foreseen when we launched T22 was COVID, and the other seismic economic, political and social changes that have unfolded. I am conscious therefore, that while there is obviously a keen interest in the details of our results today, which we will share, and they are strong results, the context in which we are presenting them is also very important.

I want to start therefore by referencing these key dynamics, how we're positioned to respond to them, and how we will address the obvious questions that they give rise to in our presentations this morning.

Firstly, the rate of digital adoption has clearly gone to a whole new level, and we are sitting on the cusp of another wave of exciting technology innovation, with AI, edge cloud, LeoSats, ORAN, and of course by the end of this decade, 6G.

COVID has taught us the convenience of doing things online, and that we can now study and work from home very effectively. This is great news for us, because through T22 we are so well positioned to grasp the opportunities it presents. And because, like many, we have fully embraced hybrid working, and have more than 17,000 people working in agile.

Our investments in digitisation of the business, our clear leadership in 5G, the partnerships that we have announced with Microsoft, OneWeb, Quantum, Viasat, and our equity in cutting edge technology through Telstra Ventures and directly in Silicon Quantum Computing, will all be important assets for the future.

So too is the decision to set up our infrastructure assets into separate standalone businesses, and the investments we are making through InfraCo into the national inter-city fibre upgrade to boost connectivity right the way across Australia.

We also announced a landmark network sharing agreement with TPG Telecom. This deal, subject to approval by the ACCC, will be a win for customers across Australia, enabling more competition and choice, and enabling regional customers to be better connected than ever before, at exactly the time when more people are choosing to live regionally.

Secondly, however, despite the exciting technology opportunities, and the growth that this will support for us, there is no doubt that there is considerable economic uncertainty in the world today. For Telstra, the good news is, the demand for our core underlying business has never been greater. Our balance sheet is strong. And while there is growing inflation, there are some natural hedges in our business too. Vicki will take you through the detail of all of this in her presentation. And while of course, we are not immune to the changing economic environment, we are better placed than many.

Thirdly, we continue to see the world raising the bar on ESG in the face of growing climate catastrophes, including the role that businesses must play. You have heard me say before, that we can only be successful for our shareholders, when we are also successful for our customers, for our people, and for the communities that we serve. We have significantly increased our focus on ESG over recent years, and it is a key platform in our T25 strategy. We have taken a leading and bold position on reducing the impact of our business on the environment, on supporting vulnerable customers, on diversity and inclusion, and responsible business operations.

I know that we do not always get it right. But when we get it wrong, we own it, and we fix it, and we learn from the experience to do better next time.

Finally, the geopolitical environment is more fractious than most of us have

seen in our lifetimes. Like all businesses, we are seeing disruptions from this, with the largest impact being on the supply chains of key network and technology components. It is why our partnerships with key technology providers are so important.

Of course, we're also seeing increasing cyber threats. And we are working around the clock to protect our own networks, blocking unprecedented levels of malicious activity, while at the same time helping our customers to protect themselves and their businesses.

As Chairman of the Federal Government's Industry Advisory Committee on Cybersecurity, I will be giving a speech at the National Press Club on the changing threat environments, its implications, and what we need to do in response in a couple of weeks' time.

We have also significantly strengthened our relationships and our partnerships with Government, who understand that telecommunications is the platform for the digital economy. And Telstra's is by far the biggest, it's the best, and it's the most strategic. It is crucial for the economic success of the nation, our national security, and our social cohesion.

Last month, we announced the completion of our acquisition of Digicel Pacific in partnership with the Australian Government, which sees us take 100% equity in this strategically important asset.

When we kicked off T22, we could not have foreseen these external factors. But we are certainly in a better position to face them because of T22. So with that, let me turn to the results.

FY22 was a pivotal year for us. As well as marking the end of our T22 program, we have also now absorbed the overwhelming majority of the financial effects of the rollout of NBN, and the growing momentum in their underlying performance is clearly starting to show through. Those financial impacts saw reported total income declines of around \$700 million in one-off NBN receipts, and \$300 million in NBN commercial works. Total income therefore decreased 4.7% to \$22 billion on a reported basis. While NPAT decreased 4.6% to \$1.8 billion, earnings per share was down 7.7% to 14.4 cents per share on a reported basis. The declines reflect both the impact of the NBN, and one-off gains from asset sales last year.

In contrast, though, underlying EBITDA on a guidance basis increased 8.4% to \$7.3 billion, driven significantly by an outstanding performance in the year from our mobiles business.

Underlying EBITDA included an in-year NBN headwind of \$340 million. Now, this is the last year of in-year NBN headwinds, and it brings the total cumulative impact of NBN on Telstra's EBITDA to \$3.6 billion per annum. That was a very large and very difficult pill to swallow, but we have swallowed it.

Encouragingly, underlying EPS was up 48.5% to 14.4 cents per share, a

strong start against our T25 ambition of high teens CAGR from FY21 to FY25.

Also, the Board has resolved to pay a fully franked dividend of 8.5 cents per share, bringing the total dividend for the year to 16.5 cents per share. This includes an increase in the ordinary dividend from 10 cents to 13.5 cents per share, and a 3 cents per share special dividend. And this of course will be the last special dividend in relation to the NBN one-off payments.

It represents the first increase in the total Telstra dividend since 2015. And while it will increase the payout ratio in the near term, it recognises the confidence of the Board following the success of our T22 strategy, the strong results in FY22, our T25 strategy and aspirations for high teens EPS growth from FY21 to FY25, the strength of our balance sheet, and importantly, a recognition by the Board of the importance of the dividend to our shareholders.

I will now turn to the operating highlights for the year.

Mobiles, as I have said, has performed exceptionally strongly. We added 155,000 net retail postpaid mobile services. That included 121,000 branded, with a strong contribution from Enterprise, clearly demonstrating the benefits of our 5G leadership.

Retail prepaid unique users were up 215,000, and prepaid services revenue grew very strongly at 14.2%. In wholesale we added 218,000 services, and we also added over a million IoT services.

Our performance in fixed for Consumer and Small Business customers has been more challenged, particularly as we are now at the tail end of the NBN migration. Net new retail bundles were negative 87,000, although bundle and standalone data ARPU increased by 2.4%. And notwithstanding the disappointing fixed SIO performance, we are confident of restoring financial momentum by leveraging the many value adding home broadband features that Telstra offers.

I also want to applaud the Government's recent advice to NBN Co, and NBN Co's subsequent decision, to withdraw its Special Access Undertaking, and work towards a better industry pricing model. We look forward to an expedited outcome that improves the quality of service for all customers, and a more economically sustainable industry.

In Enterprise, and in line with our previously communicated aspiration, we returned to growth at both the income level and the EBITDA level. Fixed Enterprise EBITDA grew by 2.3%, with NAS EBITDA growing by \$152 million to offset weaknesses in data and connectivity.

InfraCo Fixed income was \$2.4 billion, with core access revenues, including NBN recurring receipts, up 3.1%. InfraCo Fixed growth will be further supported by our inter-city fibre project announced in February. This will provide ultra-fast connectivity between capital cities, and improve regional

connectivity. We are close to finalising contract negotiations for the first stages of the build, and we have held very detailed discussions with customers, including of course signing up Microsoft as a major anchor tenant.

We have learnt a lot through this process, and while some of the economics have changed from what we announced, which Vicki will take you through shortly, the returns are still attractive, and in fact the level of our conviction on this strategically important project has increased.

Telstra Health has also had a strong year, both operationally and strategically, as it continues to scale. Telstra Health revenue for the year was up 13%, or 51% when you include the Medical Director and the PowerHealth acquisitions to \$243 million.

We have also made significant progress in our initiative to launch Telstra Energy, including gaining the necessary licence approvals, building the offering into our new digital environment, and conducting a limited number of customer trials. However, clearly the retail energy market is currently going through a period of severe dislocation, and given this, we will not be scaling in FY23. We have received around 10,000 expressions of interest from customers, and our intention is to expand our trial to these customers this financial year, while we keep the market dynamics under review. Of course, this has obvious implications for our aspiration to be a top five retail energy provider by FY25, and we will update the market on our plans as the market dynamics become more certain.

Finally on our operating highlights, underlying fixed costs were down \$454 million, and total operating expenses were down \$906 million or 5.8%.

So in summary, FY22 has seen our core business perform strongly. Our mobiles result was outstanding; Consumer and Small Business fixed grew in the second half. Enterprise returned to growth at both the top line and the bottom line; and we have started to realise the benefits of setting up our infrastructure assets as standalone InfraCo businesses.

So it is clear that we have good financial momentum. The left hand side of this slide shows the growth that we have achieved in underlying EBITDA in the last three halves, whilst the chart on the right hand side shows the evolution of our full year underlying EBITDA, including \$7.3 billion for FY22, our guidance of \$7.8 to \$8 billion for FY23, and our T25 aspiration and ambition for mid-single digit CAGR to FY25. Of course, this statement for FY25 is not guidance, it is an aspiration, which means there are greater risks and uncertainties associated with it, than compared with our guidance statements. Nonetheless, the charts clearly demonstrate the financial momentum that we have achieved, and our ambition for further growth.

We could also see this start to show through in our reported results too, as the transitional effects of the NBN rollout come to an end. The left hand side of this slide shows the growth achieved in reported EBITDA from \$3.5 billion in the first half of this year, up to \$3.8 billion in the second half. While the chart on the right hand side similarly shows growth in reported earnings per

share, from 5.9 cents per share in the first half of this year, to 8.5 cents per share in the second half.

This strong improvement in returns to shareholders is undoubtedly a function of the success of our T22 program. And T22 was successful because we were bold. We set ourselves big ambitious goals, and executed with discipline and transparency. As we close the book on that chapter of our history, it is worth reflecting on just how much we have achieved and how much we have changed as a company.

We radically simplified our business, reducing the number of Consumer and Small Business in-market plans from 1,800 to 20. We now have 10.2 million services on these plans. We led the market and removed lock-in contracts and excess data charges, and unbundled services for customers. We have 4.5 million customers signed up to our rewards program, Telstra Plus, and our engagement with members is high, with product redemptions growing more than 80% in FY22.

Almost half of our sales interactions with our Consumer and Small Business customers are now digital, as well as more than three quarters of all service interactions. The number of calls coming into our Consumer and Small Business contact centres has fallen by more than 70%. And of course, all of these calls are now answered by somebody in Australia.

We brought our licensee stores back in-house, and all Telstra stores are now operated and owned by us. We rationalised the number of active products in our Enterprise business by more than 50%. And similarly, our digitisation progress in Enterprise has led to [more than] 40% of all Enterprise services interactions now being conducted through the digital channel.

The combined impact of all of these positive improvements to customer experience is reflected in our stronger than ever episode NPS result, which is up 18 points since the beginning of the program.

We have reduced our direct and indirect workforce by more than one third, and at the same time, we exceeded our target to recruit new capabilities in new areas, such as software engineering, data analytics, cybersecurity, and artificial intelligence, with more than 1,500 new hires. We achieved our T22 productivity target of \$2.7 billion of annualised cost out. Our 5G network is around twice the size of our next nearest competitor, and we cover 80% of the population with 3.5 million 5G capable devices already connected to the Telstra mobile network.

Our Infrastructure business is operating as a standalone business unit with increased transparency, and the successful sale of the 49% non-controlling interest in Amplitel demonstrates the value opportunities that this has created. In fact, factoring in the Tower sale, we have monetised almost \$5 billion worth of assets against our original target of \$2 billion for the program.

Lastly, we are on track to finalise our legal restructure. Pending court approval, we expect to very shortly publish a scheme booklet, which will give

shareholders all of the information they need to vote at the scheme meeting to be held on the same day as our AGM in October.

So with that, let me officially close out T22 with the final T22 scorecard.

Overall, we delivered around 80% of our T22 scorecard metrics. We made significant progress on another five, and we missed four. As there have been no significant changes to these ratings since the half year, I will only make a few comments.

Firstly on underlying ROIC. Our target is to achieve [around] 8% in FY23, and the 7% ROIC achieved this year shows we're on track. Secondly, while our employee engagement score of 82 fell just short of the ambitious target that we set ourselves, we have made significant progress, and we are among the top performing companies globally.

Finally, although the number of Telstra Plus members did not achieve our ambitious target of five million, Telstra Plus has been an outstanding success, with the number of members growing to 4.5 million since its launch in just FY19.

So with that, let me close out my final full year results presentation as the CEO of Telstra. Our T22 program has been a clear success. We are delivering a better customer experience. Our mobile network remains Australia's biggest and best. Agile is transforming how we work, and combined with our hybrid working model, it's helping our people to feel supported, and to perform at their best.

Our employee engagement has never been higher, and we are a fundamentally different company with an incredibly bright future, as we transition to a new look leadership team, and T25, our strategy for growth.

Thank you to all of you for your support and challenge over the years, and the keen interest which you have shown in following our progress. It has kept us accountable, and it has helped us increase our conviction in our journey forward.

I've loved my time as the CEO of Telstra. But now is the right time to hand over to Vicki to lead Telstra's next chapter as we transition to T25. She is an outstanding leader, and will do an amazing job.

As I said in an interview recently, you do not generally get the chance to choose the timing of when you become the CEO, but it is a privilege to choose the time at which you step down. And as I look back on my time, and particularly the last few years, undoubtedly the thing about which I feel the most proud, is the people and culture at Telstra.

I've had the privilege to work with some incredible people during my time, and the team I leave behind is the best I've ever experienced. I'm delighted that the strength of that team has enabled us to appoint both my successor and a new CFO from within. And I offer my congratulations to both Vicki and

Michael for their well-deserved appointments.

I'd also like to acknowledge that the progress that we have made is due to the combined efforts of that team, the support of our Board, and the many dedicated Telstra executives and employees. And I want to thank the whole team who have been right behind this incredible transformation.

We are a values led company with a strong culture and a commitment to serving our customers, and supporting the communities in which they live, doing business responsibly, and playing our role in ensuring the future success and security of Australia.

When I started as the CEO of Telstra in 2015 I did so with a vision – a vision to help make Telstra a world class technology company that empowers people to connect. When I shared that vision externally, many stakeholders, not unreasonably, believed it was implausible, given what would be required to achieve it. Nonetheless, as I reflect the end of my time, I'm incredibly proud to step down after more than seven years, knowing that is what Telstra has become. Thank you. And with that, I will now hand over to Vicki before we open up for Q&A.

Presentation from Vicki Brady

Vicki Brady: Thanks, Andy. This morning I'm delighted to provide details of our FY22 results, which demonstrate our ongoing financial momentum and underlying growth. I will also outline Telstra's focus for FY23, as I take up the position of CEO on the 1st of September.

Starting with our income statement on slide 12. The left hand side shows our reported results, with declines largely due to reduced one-off compensation from migration to NBN. For FY22, income was \$22 billion, down 4.7%. EBIT was \$2.9 billion, declining 3.1%. Net finance costs improved by 24%, due to a reduction in both net debt and lower average borrowing costs. Tax increased 24%, resulting in an FY22 effective tax rate of 27%, compared to 22% in FY21.

Reported NPAT declined 4.6% to \$1.8 billion, largely due to decline in NBN one-offs. The right hand side shows our underlying results, which exclude NBN one-offs, restructuring, M&A, and other guidance adjustments. Underlying income declined 1.3% to \$21.6 billion. Underlying EBITDA was \$7.3 billion, up \$562 million, or 8.4%. D&A declined 2.1%, or almost \$100 million.

Underlying EPS grew [almost]¹ 50% to 14.4 cents per share. The Board has resolved to pay a final dividend of 8.5 cents per share fully franked, including a 7.5 cent ordinary, and 1 cent special. The FY22 special dividend will be the final link to one-off NBN receipts. This brings total FY22 dividends to 16.5 cents per share, representing 115% earnings payout ratio.

¹ Verbatim "more than"

In FY22 we also completed a \$1.35 billion share buyback, utilising around half of the \$2.8 billion net proceeds from the 49% sale of our Towers business.

Now looking at FY22 product performance on slide 13. Mobile EBITDA was our key growth driver, illustrating the successful execution of our strategy and monetisation of 5G leadership. \$700 million of mobile growth was achieved due to increased service revenue, the final benefits of transitioning off subsidy and lease plans, and productivity. The remaining portfolio in aggregate declined, which I'll go through in turn shortly.

Other EBITDA positives included around \$80 million from the impact of bond rate changes on employee liabilities, and around \$50 million from revenue catch ups from prior periods.

Now looking at our key products, starting with mobile, on slide 14. On the top left, you can see mobile service revenue, which I am pleased to say, grew 6.4% in FY22. We are focused on growing mobile service revenue at a mid-single digit CAGR, given it is the key long term driver of mobile profitability.

Service revenue across all segments and subproducts grew, which more than offset mobile hardware revenue decline of 9%, largely due to lower volumes. SIO growth was strong. In postpaid handheld, we added 155,000 customers in FY22, with SIO growth in all segments and brands, including a strong contribution from Enterprise.

In addition, postpaid ARPU, shown on the bottom left chart, grew 2.9%, including the flow through of prior price changes. As described at the half, economic ARPU growth was stronger than reported ARPU growth. For the full year, there was \$1.22 non-economic negative impact, which included the shift from gross revenue to net margin recognition for some add-ons.

Second half postpaid ARPU grew sequentially on the first half, with C&SB MMC growth, and momentum from roaming, partly offset by lower out of bundle COVID related messaging revenue in Enterprise, and from the incremental non-economic impact outlined.

In July we increased prices in line with CPI for our in-market branded postpaid mass market plans, and introduced an option to review prices annually against CPI. This results in increased prices for around 65% of postpaid mobile customers, and will flow through from September. There are different dynamics in the other 35% of postpaid customers, and we will continue to review pricing across our portfolio.

With international travel back on the agenda, roaming is also expected to support FY23 growth. Although it's unclear if it will completely return to pre COVID levels, in FY22 roaming EBITDA was approximately 20% of the around \$250 million pre-COVID level, and for the month of June was it around 45%.

Turning to Infrastructure on slide 15. The charts on the left hand side show that InfraCo Fixed revenue and EBITDAaL declined 4.4% and 1.6% respectively. Our world class fibre, ducts and network sites delivered 3% growth in core access revenues and flat EBITDAaL. Legacy network disposals contributed positively, but were more than offset by a decline in NBN commercial works, which is winding down as the NBN rollout nears completion.

Recurring infrastructure revenue from NBN grew by 3.3%, as shown on the top right chart. These revenues are indexed to CPI for the remaining average contracted period of 25 years. As Andy mentioned, we are close to finalising contract negotiations for the first stages of the build, and signed up Microsoft as the major anchor tenant.

Our strategic conviction remains strong. Not surprisingly, in the current economic environment, we have seen cost inflation for construction and fibre supply. Our extensive discussions with customers have provided a clear view of their requirements, including the highest priority routes, and we are adjusting the staging of our rollout to meet this demand.

The total number of kilometres built will depend on the final routes. We expect to remain within our strategic capex for FY23 of \$350 million, including Viasat, and the targeted total spend over the five year project of \$1.4 to \$1.6 billion.

Given the cost inflation and the customer demand profile, the estimated FY26 EBITDA will be significantly lower than previously indicated. However, customer preference for IRU contracts will support cashflow, with higher upfront cash contributions. The IRR on the rollout of the first stage is expected to be equal or better than mid-teens.

On the broader InfraCo Fixed strategy, we have made significant progress. We will continue to focus on improving the access, utilisation and scale of our infrastructure to deliver growth and value, also on completing the restructure, providing us further optionality,

As we've already demonstrated, where we see the opportunity to realise value through monetisation we will, although we have made no decisions yet in this regard. These are unique and valuable assets. And we will be measured and deliberate as we consider options over the course of 2023.

Turning to Fixed Enterprise on slide 16, which in FY22 returned to growth. NAS growth offset the decline in data and connectivity, or DAC, driving 2.3% EBITDA growth as shown in the top right chart. DAC revenue declined 13.3%, as shown in the bottom left chart. This was largely due to ARPU compression and technology change. We achieved strong contract renewals of our Government and Enterprise customers, with T-Fibre churn largely confined to mid-market and business segments.

The DAC outlook remains challenged with competitive pressures, especially NBN's release of more fibre business zones. In addition, customers are using

SDWAN and internet as an alternative to private dedicated connectivity, especially for smaller locations. Returning DAC to growth remains our ambition, and we are confident in our ability to win in market, leveraging our extensive fibre footprint, complemented by reselling NBN. However, we have seen more disruption than we anticipated, and achieving growth will rely on a broad stabilisation of ARPU. We no longer expect this to occur in FY24, although we do expect the overall domestic Enterprise business, which grew in FY22, to continue growing.

In NAS, FY22 EBITDA grew 93.8%, as shown on the bottom right chart. NAS revenue grew in all categories except legacy calling. This included growth from security, cloud, IoT, professional and managed services. Second half EBITDA was also supported by revenue recognition, linked to milestones on key contracts and strong cost management. The NAS EBITDA margin of 11.5% in FY22 is on the right trajectory to meet our mid-teens ambition by FY25.

Turning to Fixed C&SB, where EBITDA has bottomed and returned to growth sequentially in the second half. Growth was achieved through cost reduction and ARPU uplift from price rises and improved plan mix, shown in the charts on the bottom right of this slide.

The NBN reseller margin for FY22 was 5%, including a two percentage point improvement from the first half to the second half. We continue to target greater than 8% in FY23, and mid-teens in FY25, with further benefits expected from price rises, mix and cost outs.

The new digital stack is also driving a step change in customer experience. And we are pleased to see year on year improvements in episode NPS of +24 points for sales and activation, and +12 points for assurance, including from proactive fixes and agent tools to better support our customers.

The NBN market remains challenging, including competition from emerging business models. We lost 87,000 net bundle and data SIOs in FY22. Although focused on profit, a key challenge remained stabilising SIOs to achieve longer term sustainable growth.

Our fixed C&SB outlook is also supported by growing 5G home wireless. Its contribution was small in FY22, due to modem supply constraints, but we expect more scale in FY23.

Finally, International, on slide 18. Our existing international business grew 15.2% in FY22, in Australian dollars, supported by FX. We are excited to have the Digicel Pacific team on board, following the completion of the acquisition on 13 July. We see considerable opportunities for growth, and the business is tracking well.

Proforma March FY22 EBITDA was US\$238 million, and the transaction will add in the order of US\$160 million per annum of D&A. The transaction modestly increases our proforma leverage by approximately 0.1 times. As we own all of the ordinary equity, we will account for Digicel Pacific as a wholly

owned entity, and there will be no minorities in the P&L.

The Government equity-like securities will be reflected as minority interests on the balance sheet.

Turning to our operating expenses, which you can see on slide 19, which again tell a good story. In FY22, total operating costs declined 5.8%. Excluding one-offs and other guidance adjustments, underlying costs declined 5.7% or by \$863 million.

Breaking down underlying costs; in sales costs, an increase in NBN payments was more than offset by a decline in other sales costs, including lower hardware. Underlying fixed costs reduced \$454 million. We achieved our T22 cost out target for a cumulative \$2.7 billion per annum, or 35% absolute reduction in annual underlying fixed costs since FY16. Key contributors to this productivity are shown on the slide.

Given the current environment, I will cover the implications of inflation on our costs, including mitigants we have put in place. Firstly, looking at opex and our \$14.3 billion of underlying costs. Our sales costs include some inflationary pressure, especially in the Other category. However, these costs are largely passed through. Within fixed costs, the biggest bucket is labour. Here we have some protection from our newly reached enterprise agreement, with agreed wage increases for the next two years.

On Energy we expect our absolute costs to increase by around \$50 million in FY23. However, we expect our Energy PPAs to mostly offset this at EBITDA. Service contracts and agreements and Other are areas where we expect costs to be under inflationary pressure. Contracts do offer some protection, while there may be opportunities to manage spend in these categories also.

For FY23, in addition to inflation, our costs will include absorbing a full year impact of insourcing our retail channel, and onshoring call centres. Outside of opex, importantly, we have revenue levers. As I mentioned earlier, we have increased prices reflecting CPI in mass market branded mobile, and our NBN recurring revenue of around \$1 billion are indexed to CPI.

We are also looking at what increasing costs mean for other pricing. On property leases we continue to optimise and have some protection. On interest costs, hedges are in place, with around 65% of our debt at fixed rates, inclusive of Digicel Pacific. On capex around 75% of our spend is subjected to inflationary pressure, with the remainder having some protections, including contracts and capitalised internal labour. We are committed to managing capex to guidance.

As you can see, overall, we have some mitigants against inflation, given the steps we have taken. We will continue to remain disciplined and focused in our management of costs and pricing. We expect modest cost out in FY23, despite inflation and the full year impacts I mentioned. Our ambition remains \$500 million cost out under T25.

Turning to free cashflow on slide 21. Free cashflow after lease payments increased 5.9% to almost \$4 billion, largely due to working capital improvement of \$923 million being ahead of what was achieved last year. The working capital benefit was largely due to reduced receivables, including from lower handset sales, strong collections, and lower bad debts.

Turning to our capital position on slide 22. We reduced net debt by around \$2.6 billion in FY22, supported by our free cashflow, and proceeds from the partial sale of our Towers business. We remain within our comfort ranges for all credit metrics, with debt servicing at 1.8 times. Underlying ROIC improved by two percentage points to 7%, supported by earnings growth and our tax rate below the statutory rate.

Turning now to FY23 guidance. The ranges and bases on which guidance is provided can be seen on slide 23. Guidance includes Digicel Pacific across all measures. Our underlying EBITDA guidance is consistent with our previous FY23 ambition, plus a contribution from Digicel Pacific.

We expect FY23 restructuring costs to be less than \$100 million, and mostly in first half 2023. Restructuring costs are excluded from underlying EBITDA, and include one-off costs associated with the legal corporate restructure, and Digicel Pacific transaction costs.

Our capex guidance includes an uplift in mobile investment, around \$150 million for Digicel Pacific, and around \$350 million of strategic investment outside of BAU for the inter-city fibre and Viasat infrastructure projects. Capex guidance is modestly below adjusted D&A.

Finally on guidance, we expect to continue to achieve strong cashflow, enabling us to invest for growth, and deliver returns to shareholders. FY23 free cashflow is expected to be around \$1.1 billion, lower at the midpoint of guidance than FY22. Increased EBITDA in FY23 contributes positively, but this is more than offset by increased capex, as well as working capital and other benefits in FY22 not repeating.

Finally, I would like to take the opportunity to recognise that this is Andy's last results presentation at Telstra, and my final as CFO. I'm looking forward to stepping into the CEO role on 1 September, and I am grateful to be taking over with Telstra in a strong position, thanks to Andy's leadership and the foundations he has laid as a result of our successful T22 strategy.

I'm excited to be leading a highly capable team to deliver our new strategy, T25, which is set out on slide 24. In due course, I look forward to engaging with you on T25, and reporting on our progress, just as transparently as we did on T22.

To summarise, our results clearly demonstrate financial momentum, and we expect growth in our underlying business will continue. We remain disciplined and focused on creating value. We are well placed in the current environment, with earnings growth, strong cash generation and a strong

balance sheet. We have the right strategy, and the clearest signals of success will be growing our business, improving our customer experience and NPS, enhancing our reputation, and retaining and attracting the best talent. If we get these things right, we are absolutely confident our financial ambitions will follow.

Finally, like Andy, I would like to thank and recognise our dedicated teams right across Telstra, an incredibly talented team that I look forward to leading. I'm also looking forward to having Michael Ackland move into his new role as CFO, and I know Michael looks forward to engaging with all of you more closely. I will now hand over to Nathan to take us through Q&A.

Analyst Q&A

Nathan Burley: Thank you, Vicki and Andy. So we'll enter a time of Q&A. So on the call is Andy Penn, Vicki Brady, Michael Ackland, GE of Consumer and Small Business and incoming CFO, as Vicki mentioned, as well as David Burns, Group Executive for Telstra Enterprise, as well as Brendon Riley, CEO of InfraCo. If you are on the line, just a reminder to press star one, if you wish to register a question.

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

Eric Choi: Morning team. I'd like to say thanks very much, Andy, for your efforts these past 10 years as well. There's definitely been ups and downs. But congratulations on the strong position you're leaving Telstra in. So thank you very much.

So on to the questions. I just had three, and I might ask them one by one. Just the first one on the dividend. I guess you wouldn't have lifted to 16.5 cents fully franked this year, if you didn't think it could be sustained into 2023. So can I just clarify that at the bottom end of your \$7.8 to 8.0 [billion] EBITDA range, we still think we can get close to a 16.5 cents EPS?

Eric Choi: So the second one is free cashflow. Can I just clarify, maybe higher mobile handset sales may be driving some of this revenue beat and free cashflow miss versus the market? And if that's so, it still looks like you're guiding to neutral working capital. So what are the positives that are offsetting the drags from your handset sales at free cashflow? That's a second.

And then on the third, just on InfraCo. Just going through the regulatory disclosures, the ACCC says they've seen some redacted statements, which show the separation is going to deliver significant value, and then Mallesons is saying there's certainty of value creation. So I'm just wondering, in 2023, will Telstra be the one that's driving these potential value creation events? Or will you leave this up to third parties coming in, and potentially doing due diligence or looking at the assets? Thank you.

Andrew Penn: OK, look, Eric, it's Andy, thank you very much for those questions. And I think you'll find given that I'm in my last few weeks, I'll be directing most of the questions to Vicki and others. But firstly, thank you so much for your

kind comments. That's much appreciated. I'll just make a couple of minor comments on dividend from my perspective, and InfraCo from my perspective, then I'll hand over to Vicki to add hers, and also pick up the free cashflow one.

Look, I mean, on the dividend, I'll get Vicki to talk specifically about ranges, but I mean the decision to increase the dividend was very much reflective of the Board, I guess, sending a message of its confidence following the completion of T22, the strong result in the current year, the aspirations in T25 to grow EPS, the fact we've got a strong balance sheet and the fact that it's an important value measure for shareholders, particularly many of our retail shareholders. So ultimately, the Board turns its mind to our Capital Management Framework. I'm very comfortable that we could do that within the context of that.

On InfraCo, as I mentioned, we will be sending out, subject to court approval, the explanatory memorandum scheme booklet very shortly for the EGM, which will be held in October. But at this stage, as Vicki said, we haven't made any decisions on monetisation or process of monetisation. But with those comments, I might hand over to Vicki.

Vicki Brady:

Thanks Andy. And thanks, Eric, for those questions. So the first one on the dividend. So as Andy spoke to, you heard the reasons why the Board made the decision to increase the dividend for the final dividend by half a cent. And, look, in terms of our underlying EBITDA range, you can see we have tightened that range again; we continue to get feedback that keeping that range tight makes a lot of sense. So \$7.8 to \$8 billion.

We don't give, obviously, guidance on dividend. But I think if you take our underlying EBITDA range, you've got a pretty good view of what D&A is going to do, with Digicel [Pacific] coming in. And you can also, I think, probably work out where finance costs are headed. So as I said, we don't guide on the dividend itself, but we've got strong confidence in our EPS growth, and that's built into our T25 ambitions.

The second one on free cashflow. So yes, on free cashflow for FY23, we are assuming quite an uplift in our handset sales in mobile. FY23 is a year where we will see customers coming off deferred handset plans for both two year and three year periods. So we have an uplift in customers that will be looking, we expect, for new devices in FY23. So yes, from a working capital point of view, we expect to use some working capital to support that.

Helping to offset that, however, is we are expecting receivables to improve in FY23 further, and that comes as more of our customers move on to our new upfront plans. So yes, you're right, in terms of free cashflow in FY23, the increase in EBITDA gets taken up by the increased capex, investing in the strategic elements under our intercity fibre and Viasat deal, and a little bit more into mobile and Digicel [Pacific]. We expect working capital to be broadly neutral, and obviously handset sales are one of those things we will watch closely. But we are expecting an uplift in handset sales in the year. I think they were the couple of questions to cover off. So back to Nathan.

Nathan Burley: Did you want to make any further comments on InfraCo?

Vicki Brady: In terms of InfraCo, as I said, as I spoke today, we are very focused on firstly finishing the restructure. And Andy addressed that, with the timeline on that. Brendon and the team are also very focused on ensuring we're running the InfraCo business to make sure we're creating the most value and delivering the best possible outcomes out of that business. They are incredibly valuable assets, and we appreciate that. And as I said, through the course of 2023 we will review that optionality. But we don't have anything more to say on that at the moment.

Nathan Burley: OK, thank you, Eric. Our next question is from Kane Hannan from Goldman Sachs.

Kane Hannan: Morning, guys. I'll send you off with three more questions, Andy. Maybe just the 2023 guidance. Just interested if you can comment on what the legacy network disposals are in that? And you have any NBN one-off coming through next year? I thought it was about \$100 million left in the bank.

Secondly, just on the mobile side of things, are there any comments you can make around the TMMC trends you're seeing in the market at the moment? I suppose really, what level of spin down you're seeing under those recent plan changes. And then finally, just it's a very strong NAS outcome. Is there anything lumpy in that? Or do you think you're going to build off that into FY23, and maybe offset the data and IP declines again? Cheers.

Andrew Penn: Thanks Kane. I think I can happily pass all of those to Vicki, and I'm sure she'll bring Michael and maybe David in as well.

Vicki Brady: Excellent. Thanks, Andy. And thanks, Kane for those three questions. Let me take the first one, and I'll get Michael to comment on mobile, and David to comment on NAS.

So firstly, in terms of FY23 guidance, yes, you've picked up in FY22, as we have included in our materials, there are some legacy network disposals included inside InfraCo Fixed. And they are not one-off in nature. They will continue into FY23. And as an example of that, as we recover copper out of our network, we are able to realise value on the disposal of copper. And so we see that as a continuing program over the next few years. And we also, as Brendon and the team operate InfraCo Fixed, they're looking at our fixed network sites, and they find opportunities. Where we have the opportunity, we will realise value from some of our fixed network sites. And we saw that again in FY22. And we would expect to continue that program of work and opportunities to appear through FY23.

In terms of the NBN one-offs, as we spoke to today, this FY22 is the final year of our large NBN one-offs. In terms of what we expect in FY23, there's only, we expect, a very small amount to come. I would expect that more to be in the low tens of millions. So that's my expectation on NBN one-offs.

And then why don't I hand to Michael to comment on mobile and the trends he's seeing, and then he can hand across to David to talk a little bit more about NAS.

Michael Ackland: Great, thanks, Vicki. And thanks, Kane. I think what we're seeing is we obviously forecast for some spin down and churn. And we're seeing that, it's well within our expectations. We haven't seen any significant mix change coming through on activations. But I think the trends are pretty positive. But we'll obviously watch that closely as we go through the rest of this year. And over to you, David.

David Burns: Thanks, Michael. And thanks Kane, for your interest in NAS. I think it's a mix of a whole strong performance across the board. So I think you can see that there's some strong cost management and cost takeout in the NAS portfolio. As Vicki showed in the fixed Enterprise chart, you can see that all the lines of business, with the exception of calling apps, which is what we would expect, all grew pretty much in double digit, but in line with the market. And we're pretty excited about that. We think that's a very strong performance.

And yes, the NAS business does have the occasional lump in it. And we had a couple of transactions and milestones that were key in the second half. So very strong, when you put all of those pieces together in the second half of the NAS performance.

I would just reiterate what Vicki said, and guidance we've also given on the NAS portfolio, that we expect to see continuing mid-single digit growth in the NAS business, and retain our mid-teens EBITDA margin outcomes for the future. So we'll stay with those. And as Vicki included in today's announcements, we'll continue to grow top line and bottom line in the domestic Enterprise business overall. And yes, NAS will be a key contributor to that, as we do expect continued challenges in that DAC portfolio. So NAS will be a key contributor to that, yes.

Kane Hannan: Perfect. Thanks, guys.

Nathan Burley: Thank you. Our next question is from Entcho Raykovski from Credit Suisse. Go ahead, Entcho.

Entcho Raykovski: Morning all. My first question is on the T25 EBITDA ambitions. Obviously you have retained that for [underlying EBITDA] mid-single digit CAGR. I guess I'm just interested, for the avoidance of doubt, do they still exclude all acquisitions? Or is Digicel [Pacific] now factored in? And I guess what I'm getting to with that question is, I'm conscious that there's low expected EBITDA from the fibre build, the DAC growth being pushed out. Can you talk to some of the offsets which would allow you to reach that ambition? That's question number one.

Secondly, I've also got a question on the divvy. Is the intention that the dividend remains fully franked in FY23 and beyond? I'm conscious that you have a fairly low franking balance, and you've got some earnings coming

through from Digicel [Pacific] which won't be franked. So what is your thinking around franking?

And then finally, a question on the fibre build. How are you thinking about the payback period now, on those investments? I think it was about nine years, when you spoke about it back at the start of the year. And if you can give us any specific sense on the EBITDA reduction relative to your prior estimates of circa \$200 million, that would be quite helpful. Thank you.

Andrew Penn: Hey, thanks, Entcho, it's Andy. Look, I'll pass them all to Vicki, I think. I mean, I could make some comments, but I think it's probably best that she does it.

Vicki Brady: Thanks. Thanks, Andy. And thanks, Entcho, for those questions. Just in terms of our T25 ambition. Yes, that remains unchanged. And included in that is now Digicel [Pacific] and the acquisitions we've made. So yes, that remains that mid-single digit EBITDA. As you spoke to and pointed out, there have been a few changes. So obviously, data and connectivity is not performing where we had hoped it would be. So we don't see it returning to growth in FY24. But as David just reinforced, we do believe the domestic Enterprise business will continue growing. So as you think about those DAC not performing quite where we had hoped, disruption continuing there, but overall, the domestic Enterprise business, we do still expect growth. And so NAS and mobile play an important part there.

And yes, just in terms of the dividend in FY23. Again, I think our capital management framework that we updated last September when we announced T25 is very clear, and we remain absolutely committed to that, and that is the goal to maximise and seek to grow over time our fully franked dividend. So I would anticipate our dividend being fully franked at this point, as I look to FY23.

Then just on the inter-city fibre project, just talking about it in a little bit more detail. So as I spoke about, Brendon and the team have done an enormous amount of work, and I might get him to jump in in just a second and add his comments as well. So a long way progressed on the contracts, around the construction and the fibre supply, extensive discussions with customers. And that's really informed us around the priority routes, and the staging of the rollout.

And in this first stage of the rollout, in fact, because we're seeing customers prefer IRU contracts where we get more cash upfront, in fact, we see the payback period on this first stage actually being better than what we talked about as the overall project, back when we announced it. So this is for the first stage of it, where we are focused on the priority routes that are most important and where the biggest demand is from our customers. So we see a good return on that.

I did mention we are estimating that the FY26 EBITDA will be significantly below what we anticipated when we announced the project to the market. There's still a lot working through in build timeframes, and getting that

locked down, and customer demand profiles. But when I say significantly lower, it is hard to estimate at this stage. But it would be well well below the \$200 million we had anticipated when we announced the deal. And as we firm up the rollout, and at our next results presentation, we'll update on how it's progressing. But Brendon, I might hand to you just to give your insights into the inter-city fibre project.

Brendon Riley: Yes, thanks very much, Vicki. And thanks Entcho. Look, Vicki, I think you summarised it really well. Entcho, since the last update we gave, we've done a massive amount of work on the design. And that feeds into the cost side. And that's the dark fibre solution design that's particularly been requested by the hyperscalers and some of the other major providers. So there's additional requirements that go into the costs there.

We've completed the tendering work. They're higher, we've factored in inflation, so the costs are little higher. And just in terms of how we're staging the build out and the routes and the prioritisation of those, we are going to focus on the routes that our customers want that obviously generate the returns. So that has the implications for FY26 EBITDA. It's still going to be a fantastic project. The payback, as Vicki has indicated, will be a little shorter with some of the cash contributions that we'll get.

And I think the other thing that I would say is we're going to be really disciplined with our capital management. We have indicated there is a lot of capital to go onto the project. So we want to make sure we're very disciplined in the in the early years and generate the returns. But I'll pass back to you, Nathan.

Nathan Burley: Thank you, Brendon. Our next question is from Darren Leung from Macquarie. Go ahead Darren.

Darren Leung: Hi guys. Thanks for the opportunity. I just had three questions as well, and I'll ask them all at once. So the first one, I just wanted to have another go at the dividend. So does the dividend policy of the 70 to 90% of underlying earnings still stand, and any framework we should be thinking about, particularly relative to free cashflow, please, just giving the spread here?

And then the second one was just on the FY23, EBITDA guidance. It's obviously a good outcome compared to the ambitions [indiscernible]. But it looks like the bulk of this is obviously driven by Digicel [Pacific], and you've had a pretty good cost outcome in terms of the [indiscernible] of cost out. So I'm just curious as to why this couldn't have been higher, or is it more just conservatism around some of the inflation piece, please?

The third one was just on capex. There was previously the \$3 billion of BAU capex comment, and there's obviously the inflation piece here as well. But if inflation moderates, does this comment still stand, or does it actually start to come off a bit, please?

Andrew Penn: Thanks, Darren. Just on the middle question, because you were cutting out a little bit, I think it was, basically, can we comment on what's underlying the

progression from underlying EBITDA from FY22 to FY23? That was your question?

Darren Leung: Yes, please.

Andrew Penn: Yep, cool. And then on the dividend policy, well, the dividend policy has been updated. But I'll pass that over with the other questions to Vicki.

Vicki Brady: Thanks, Andy. And thanks, Darren, for those questions. Firstly, on dividend; yes, we did update our Capital Management Framework back in September last year as part of the T25 announcements. And so that 70 to 90%... any of those payout ratios were removed. And so we went to a policy around seeking to maximise and grow over time our fully franked dividend. So that's not part of the policy. And as you can see, for the dividend that the Board decided on in terms of our final dividend for this year, you can see that our earnings payout ratio is above 100%, it is well supported by free cashflow. And we have the franking credits to support the fully franked dividend. So those prior ratios are no longer part of the Capital Management Framework.

In terms of FY23, and Digicel [Pacific] and our guidance range. So I would start with in terms of Digicel [Pacific], we would see that adding a little over [A]\$300 million to our underlying EBITDA, I spoke to the proforma EBITDA in US dollars for FY22. As we take over Digicel [Pacific], obviously, we're reviewing the business, and we're looking at some of those opportunities where we might invest a little bit more in capex and opex to support the growth in that business. And so I would expect Digicel [Pacific] to contribute a little over [A]\$300 million.

So when I factor that in, you can see still very strong underlying growth baked into the guidance range for the underlying business, excluding Digicel [Pacific]. And I should just comment; I know in an earlier question from Entcho, we did set our T25 mid-single digit EBITDA ambition for growth there without Digicel [Pacific]. We're not updating that ambition. But obviously, Digicel [Pacific] is a new addition into our business.

And then on capex, a couple of things to comment on then. Yes, our Capital Management Framework talks about BAU capex of around \$3 billion. And so as Digicel [Pacific] comes in to be part of our business, we do see some elevated capex compared to where we would see running at over the medium to long term. And that's as we support the build out of the network. And we see that sitting as I spoke about for this year at about [A]\$150 million, and that's likely to be in that order for a few years. So we have Digicel [Pacific] coming in.

We also have as I mentioned, a little bit of an increase in mobile capex this year. And again, that's just supporting the rollout of our 5G network, and ensuring we've got the right capacity and quality in our mobile network. So the big difference is obviously Digicel [Pacific] coming in, and that will become part of our BAU capex.

Nathan Burley: Thank you, Darren. Our next question is from Fraser McLeish, from MST

Marquee. Go ahead Fraser.

Fraser McLeish: Thanks. Actually, I think you just answered all my questions in that last comment, Vicki, so I'll just leave with saying congrats to Andy on that final result. And it's been a pleasure dealing with you over quite a number of years now, and good luck with your future endeavours, Andy.

Andrew Penn: Well, thanks so much, Fraser. Firstly, I'm glad that we've actually addressed your questions. But look, thank you so much. It's been a pleasure to work with you first, you've always been incredibly balanced and fair and challenged us appropriately, which I appreciate. So I hope our paths cross again in the future.

Nathan Burley: Yes, and good call on the dividend Fraser. Our next question is from Lucy Huang from UBS.

Lucy Huang: Thanks, Nathan. And congrats, Andy, as well, on the retirement. I just might add in three more questions. So just firstly, in relation to capex. I noticed that you mentioned that 75% of capex is exposed to inflationary pressure. So just wondering, in this environment, whether you think beyond FY23 it's possible to keep to the underlying guidance of about \$3 billion, and if not which projects could we see some potential capex being pulled back on, to manage that?

And then just secondly, in terms of the guidance, just wondering what you're factoring in for a return in mobile roaming revenues? I noticed you guys mentioned that in June, we're sitting at about 45%. So how much more are we factoring into FY23?

And then just lastly, on InfraCo Fixed, there's also the inter-city fibre. I'm just wondering if you can comment on the competitive dynamics in the market currently. And if we're a bit more moderate on the build spend, is there a risk that competitors can actually accelerate the build of their own fibre? And would that impact the returns that we're expecting there? Thanks.

Vicki Brady: And Lucy, thanks so much for those questions. Let me take the capex question. I'll then hand over to Michael to talk more about how we're thinking about mobile roaming in FY23, and I'll get Brendon to talk about the inter-city fibre and the competitive dynamics.

So firstly, on capex. Yes, as I spoke to, about 75% of our capex spend we see as facing inflationary pressure. But as I said, we would absolutely, in FY23, manage to our guidance range. As I look to 2024 and beyond, obviously there's a lot going on in the macroeconomic environment, and a lot of uncertainty around what inflation will do. That will be something Lucy that we'll have to, as this year progresses and as we get closer into our planning process, and then setting guidance for FY24, I will come back and talk about.

But absolutely reassuring you in FY23 there will be inflationary pressures we expect, but we will manage inside our guidance range. And we have a very clear view of our priorities, and some of the things where we would trade-off

if we needed to in terms of capex, and obviously, the mobile network and its build out, our intercity fibre build out, and the Viasat build out. They're all very clearly defined. And, yes, in any capex plan, they'll always be things where we would make trade-offs, but very much committed to delivering capex inside the guidance range that we've spoken about today.

So Michael, I'll hand over to you on mobile roaming.

Michael Ackland: Thanks, Vicki. And thanks, Lucy. I mean, I think, as Vicki said in her speech, we saw mobile roaming at around 20% of pre-COVID levels in FY22. And that was very much back ended, with June at I think 45%. We expect that to continue to lift in both the first half and second half of 2023. And if you look, it's always hard to predict what's going to happen, but if we look at the forecast for lift capacity, airline lift capacity out of Australia, I think that the prediction is around 50% in the first half of next year of pre-COVID levels, and around 65% in the second half, and we're pretty aligned to that as well. So that would place it at around that sort of \$1 additional dollar mark for ARPU, and throughout 2023, which was similar to what we saw on a PCP basis in the second half of 2022. Thanks.

Nathan Burley: Did Brendon want to make any more comments about the fibre competitive environment? Brendon.

Brendon Riley: Yeah, thanks Nathan. And thanks for the question, Lucy. Yes, it's an active market. I think we've seen over the last year, not just our announcement, but other announcements of fibre builds, more undersea cable capacity being built in and out of Australia. So it's definitely a very, very active market, Lucy.

There's been a huge amount of interest in our project since we announced it. And that's from hyperscalers, global companies, local telcos, Government, commercial organisations. I mean, everywhere I go around the country, there's just a massive interest in what we need to do. And that's because we need to build more demand, and we obviously need to do more in relation to regional Australia.

I don't think there are too many companies that could take on this project at this scale. And the fact that we've already announced we're doing it, we've committed the capex, we'll commence construction next month. We've done our construction tests in Western Australia and New South Wales, we commence construction next month, we're off and away. We will build a very significant and material amount of the project in the next three years. And we've already landed our first anchor tenant. So we're off and away, it's going to happen. I'm very excited about it. Huge interest. And yes, it's a competitive market.

Lucy Huang: Thanks, everyone.

Nathan Burley: Thank you, Brendon. Thank you, Lucy. Our next question is from Roger Samuel from Jefferies.

Roger Samuel: Hi, morning all. I've got three questions as well, hopefully quick ones. Firstly,

just on the T25 ambition of mid-single digit CAGR for EBITDA, if the Telstra and TPG regional network sharing deal is not approved, is that going to reduce the ambition?

The second question, I just want to clarify on your previous FY23 ambition. Did you include the contribution from Digicel [Pacific] when you made that comment before? Because when you made the aspiration, around this time last year, you mentioned about \$7.5 to \$8.5 billion, and then in February, that was reduced to \$7.5 to \$8 billion. So I just want to clarify that.

And thirdly, just on the spectrum of spending, you mentioned that you're going to commit to \$615 million on the low band spectrum. Can you tell us what is the timing of that spending? Thanks.

Andrew Penn: Hey, Roger, it's Andy. Look, just a couple of quick comments from me, and then I'll pass to Vicki. Of course, we announced the TPG Telecom MOCN deal I think in late February of this year, whilst we announced the T25 strategy last September. So I think that answers your question in terms of no, it wasn't included in those initial aspirations. So the corollary of that is, is that it doesn't, if it didn't get approved, which I can't imagine why it wouldn't get approved, but if it didn't get approved, that wouldn't impact that outlook.

But just to give you a little bit of history on the \$7.5 to 8.5 [billion], and then I'll hand over to Vicki and she can talk more about things going forward. But the \$7.5 to 8.5[billion], I can't remember when we first announced that Nathan. It was probably three or four years ago, and it wasn't announced at that time as an aspiration. It was announced actually as a range, which was intended to be helpful to say that at that time, we estimated that we needed our underlying EBITDA to be in that range to support effectively an underlying EBITDA that would support a dividend of around 16 cents in accordance with the Capital Management Policy at that time.

And the reason the range was so high, by the way, was because we were trying to forecast capex, D&A, finance costs etc at that time as well, so that created quite a big range. We did bring that in to \$7.5 to \$8 [billion] more as part of our overall ambitions for T25. And so that obviously didn't include Digicel [Pacific] because we announced that, I think, in October of last year.

So look, that's a bit of history for me, but I should hand over to Vicki because obviously she's leading this going forward, and I want her to set the expectations appropriately.

Vicki Brady: Thanks Andy, and thanks Roger for that, and Andy is spot on. So just on Digicel [Pacific], because I'm sure there's plenty of people working out where the guidance range sits. So as Andy said, when we talked about the ambition of the \$7.5 to 8 [billion], it was not including Digicel [Pacific], and as I spoke to earlier, we think about Digicel [Pacific] contributing maybe just a little over \$300 million. So when I look at our guidance range of \$7.8 to \$8 billion for FY23, I absolutely see excluding Digicel [Pacific] that we're inside the ambition that we had spoken about for the business, excluding Digicel [Pacific].

And then Roger, you had a final question on spectrum, and this is our payment for the 850 MHz spectrum that we secured at auction. In terms of the timing of that payment, it's been set that we would pay for that spectrum shortly before we get access to it. We're due to get access to it in July 2024. So we would expect payment to be shortly before that, so somewhere mid calendar 2024.

Roger Samuel: OK, great. That's very clear. Thank you.

Nathan Burley: Thank you Roger. Our next question is from Harry Saunders from Evans & Partners. Go ahead, Harry.

Harry Saunders: Morning. Thanks for taking my questions and congrats on the retirement Andy. I had three questions as well. Firstly, can you give an update on the interest rate sensitivity provided in the accounts which is the \$20 million NPAT impact from 100 base point move? So what did that look like after the Digicel [Pacific] acquisition? Secondly, can you give any further colour on fixed wireless subscriber numbers and perhaps where the opportunity is there? And just finally, any expectations for the mobile division margin?

Andrew Penn: Thanks very much, Harry, and thanks for your kind wishes. Vicki?

Vicki Brady: Thank you. Thanks Andy and thanks Harry for those questions. I'll take the interest rate one in just a second, but I will get Michael to talk a little bit about fixed wireless and how we see the opportunity there. And then I can talk a little bit about mobile margins as we look forward.

So firstly, just in terms of interest rates, in terms of that, we provide that view in the accounts obviously, and you can see there that it says we estimate the interest rate exposure, if there was a 100 basis points move up against the parts of our debt portfolio. And as I said, 65% of our portfolio is fixed. In terms of rates, that has an impact of about [\$20]² million on NPAT, so relatively small. In terms of what it looks like post-Digicel [Pacific], it would increase a little bit, but definitely we don't see that as material. So hopefully that helps give you a little bit of more colour on that.

In terms of mobile margins; obviously mobile margins are sitting for FY22 at a very strong level. The one thing through FY23 is obviously we are anticipating that hardware revenue does lift again, as we see customers on both two year and three year deferred repayment plans coming out of contract for their handsets. So that will have a little bit of an impact in terms of overall margin. Just as that revenue increases, it's obviously at a lower margin than service revenue. But I remain optimistic. We're still committed to the service revenue growth in the mid-single digits, and obviously that's very important, and the key economic driver. So mobile margins are sitting at a reasonable level, and other than hardware, obviously that's one of the big things that would come into that calculation if we look at FY23. But I remain optimistic

² Verbatim "\$30 million"

the mobile business is in a very good place. We see growth continuing, and I see it continuing to deliver strong margins. So on that basis, let me hand over to Michael to talk a little bit more about fixed wireless access.

Michael Ackland: Yes, thanks Vicki and thanks Harry. So fixed wireless, I think as we've talked about before, we had a slow start through FY22, largely driven by hardware constraints. We're through those hardware constraints now and we're seeing momentum pick up. And so we would expect that to be a much stronger contributor for us, both in terms of SIO growth but also margin into the fixed C&SB product line as we go through FY23. So we continue to see great demand. I think we've got a fantastic product and we would see pretty strong growth for that in 2023. Thanks.

Nathan Burley: Thank you Michael. Our next question is from Rod Sleath from Rimor. Go ahead Rod.

Rod Sleath: Hello and thanks very much for taking my questions. I think just a couple of questions. Firstly, just with regard to the CPI type price increases in mobile, and I understand that Optus did increase some of its prices on older contracts, but not necessarily its current packages, at the same time. I guess I'm interested; I understand the mobile business is very, very strong at the moment. You've got a very strong lead in 5G. But overall, for similar type packages, are you seeing that historic premium that you have had, is that historic premium price increasing, do you believe? And I guess where that leads onto is, if we are in an environment where we have a more tortured consumer, if you do see a consumer response that sees a shift towards more budget packages, how quickly would you or could you react to that? That's the first question.

The second question is really on a similar train of thought, but it's with regard to your fixed business, particularly the NBN with the loss of 87,000 subscribers this year and 74,000 the previous year. So you're accepting a lower market share obviously in NBN given the current pricing. Does there come a point where you just say you can't accept that loss of share? And within that, I would note that you have a good value package, but it's bundled; whereas if I don't want to have the phone line and I don't want to have the 4G back up, I can get a substantially cheaper package elsewhere and I presume that's what your subscribers are choosing to do.

And I guess on NBN as well, I'd be interested in both Andy and Vicki's views on the ministerial letter recently to the ACCC and what that means, perhaps, as a change in relationship between the NBN and the resellers going forward.

And just finally, too, one more: with regard to InfraCo, and as those internal contracts and relationships are being established, will InfraCo pricing internally to Telstra be CPI linked?

Andrew Penn: Rod, it's Andy. Thank you for those questions. Why don't I comment on the NBN one, because I guess I've got a fair bit of history on that, and then I'll hand over to Vicki to navigate us through the others. I think people probably understand, but just to clarify the point; the NBN operates in accordance with

a statement of expectations that the government provides. It's obviously a government owned entity, so I think in fairness to NBN and NBN's management team, they obviously have to run that business according to that statement of expectations.

The other dynamic is as regards to the wholesale Special Access Undertaking, the way that works at a practical level is that NBN provide that Special Access Undertaking in draft to the ACCC, which determines effectively the pricing structure and the service structure between NBN and the retail operators. And the ACCC can either accept it or reject it. They can't change it or finesse it, unless they decided separately to effectively do a special declaration in relation to the NBN service, which they so far have not done.

So what you have been seeing over the last period of time is NBN submitting a Special Access Undertaking for the ACCC regarding updating pricing and service structures, and the ACCC rejecting it. And that's been done, and obviously at the same time, we've gone through a change of Government and you've seen the new Government take a different approach with the NBN, and effectively guide the NBN towards perhaps a different set of expectations. And what that means is we've seen NBN withdraw their Special Access Undertaking, and we would hope and expect to see a proposed wholesale set of arrangements which will provide for a more effective pricing structure, and a more effective service standard structure which I'll comment on.

Obviously, from our point of view, we think that's the right path because I, for a long time, have been making the point that ultimately, Government policy in relation to the NBN should be set in the context of an aspiration for Australia to have a world leading digital economy, and if you've got a world leading digital economy, you need world leading digital infrastructure, which is telecommunications, not just purely focused on the NBN. And I think what we're seeing is that the Labor Government and Minister Rowland very much see NBN as part of that digital economy telecommunications ecosystem, and therefore have an interest in making sure the whole of that system is working viably.

From our point of view, we've always had three fundamental points of advocacy in relation to these issues. Firstly, the level of pricing, wholesale prices, has been historically too high and will get much higher if there isn't a change, particularly to the CVC charges, so for the level of pricing. Secondly, the structure of pricing, so that goes to the CVC charge as well, because currently, basically the retail providers sell fixed broadband on unlimited data, and so therefore, there's a mismatch between the pricing between the wholesaler and the retailer, and the retailer for the end customer, which is never a good situation.

And then finally, as a retailer, we have all sorts of different obligations of services to the end customer, which are not backed up with the level of service obligation between NBN and us as a retail service provider. And so, we are pleased, and therefore optimistic, that we'll see a revised Special Access Undertaking over the coming months, agreed with the ACCC, which will address all those three things, which I think will be good for customers and it

will be good for the industry overall. But with those comments made, Vicki, I might hand over to you for the rest.

Vicki Brady:

Thank you. Thanks Andy, and thanks Rod for your questions. I'll make some comments on the first one around CPI increases and what we're seeing in terms of mobile, and I'm sure Michael will want to jump in and add his perspective as well, and then talk a little bit about our NBN business and on the InfraCo and the intercompany agreements, I'll get Brendon to jump in as well.

So Rod, just in terms of mobile market, what we're seeing, price increases, etc, I think first and foremost, we've had a very clear and consistent strategy around mobile and our pricing approach. Obviously, our multi-brand strategy does play a very important part for us. And we're very aware that consumers are facing increased pressure on them through CPI. So we do have that choice of brands and so obviously Telstra does sit – our Telstra brand sits at the premium end of the market. We have our Belong brand. We have JB Hi-Fi as a partner, and we have our wholesale business. So there is a choice of brands for customers.

And what I would say, yes, it's a dynamic market. We've been very clear and consistent on our pricing approach, and more recently, that did include obviously the changes to bring in an annual review and an increase which will come into effect in September for most of our customers, with around 5% increase. So we do sit at a premium. That is deliberate. We have the best network. We provide the best experience to our customers, and we continue to grow our net SIOs in our post-paid handheld business. So we're definitely providing those choices through our multi-brand strategy.

We're very aware of pressures that consumers are feeling, and I would say we're watching that. But at the moment, we're really seeing consumers have those choices through our multi-brand approach, and Michael, I'm sure, will want to comment a little further. That's something we're watching, but right at the moment, we're seeing our premium sitting at the level because of the high-quality network and service experience we provide to our customers. And obviously connectivity has never been more important post the COVID period. That just reinforced that again.

In terms of our NBN business; yes, we're very focused again. We do have a premium proposition in market with our Smart Modem, and the quality of service and experience we provide to our customers. Again, we do use a multi-brand approach in how we compete in the fixed broadband market as well, and I'm sure Michael will want to comment on where he's at, and what he's thinking about, and what he's seeing in that market. But as I spoke to, we are focused on value in that market, but we know for sustainable growth over the long run, we obviously need to get the SIO declines that we've seen back in line with a more sustainable position.

But I think we've got a strong proposition in market. As you point out, we do bundle some things into our proposition relative to others in market. And that's been the way we've chosen to compete. We're obviously always

looking at are we market competitive, what are consumers looking for, and we continue to look at our propositions to be able to respond to customer needs. But why don't I stop on that note and first pass to Michael, and then we can pass across to Brendon to talk about the intercompany agreements? So Michael, over to you.

Michael Ackland: Yeah, thanks Vicki and thanks Rod. If I start with the fixed business, I think Vicki's absolutely right. We have competed on value. That means we have lost a little bit of share. To be fair, that's been largely driven by two things, which is probably slightly lower activations than it's been more activation driven, and then the final stages of the NBN, migration driven. We're still very happy with our level of churn within our NBN business. And I think that is driven by the quality of the experience that we deliver through the Smart Modem, Wi-Fi guarantee, the work that we've done with proactive assurance and the improvements that Vicki talked to in her speech around customer experience.

And we back ourselves on that to deliver that premium. Thank you for pointing out that yes, we do bundle, and when you include the value of that bundle, it's great value, and I think the value of the Smart Modem is significant, and sometimes we do end up with some comparison issues because a number of our competitors will offer, I guess, more naked offers without the modem included. And it's important for customers to understand what they're getting there. So we are looking to return that business to SIO growth and stabilise it, and we feel confident with that given what we've got in-market, and given that NBN rollout is ending and the level of churn, the really positive level, good level of churn that we're seeing in our NBN business.

From a mobile perspective on CPI, we are within the premium range that we want to be post those price changes, and the changes that have occurred across the market. I think this point around customer cost of living pressures is something that we're very sensitive to. It is why we introduced no contract plans, so customers can change up and down plans at any time with no penalty, to make sure that they can get a plan that suits. It's why we have a fantastic prepaid business. It's why we have Belong. It's why we have our wholesale business.

So the multi-brand strategy is one aspect of dealing with flexibility and giving customers more options. The other one is the changes that we made some years ago now to introduce no contract so that customers can change. But we'll be watching that very intently in terms of making sure that we're there for our customers, and there for the most vulnerable customers in the community. So thank you. And over to Brendon.

Brendon Riley: Yeah, thanks Michael and thanks for the question, Rod. If we look at how InfraCo does commercial arrangements with the market, sometimes the commercial arrangements will have CPI indexation and sometimes they won't. And that depends on the price. It depends on the term, the capital, the usage that goes into the facilities. And so we've taken exactly the same approach with Telstra, the same commercial standard approach.

If you look at the way we set the ICAs, it was ensuring that we could provide a competitive set of services to Telstra, relative to the market, that InfraCo could generate a fair return from that. And so that's how the commercial arrangements have been set. If Telstra feel that the services are no longer competitive, then they can review them. If we feel that the returns – or there have been some CPI increases, then we can review them. But essentially, we've tried to take the market principles under which we operate InfraCo for all providers and apply those to the ICAs.

Nathan Burley: Thank you, Brendon. If I could ask the last two question askers to just limit themselves to one question, given time, if that's OK. Our next question is from Brian Han from Morningstar. Go ahead, Brian.

Brian Han: Thank you. On your post-paid mobile pricing, when Telstra increases the data allowances in conjunction with price increases, what is the real cost of that to Telstra? I mean, is it meaningful in practice? And secondly, just a very quick one: I noticed that there's been some changes to your KPI disclosure for the Consumer and Small Business fixed unit. I'm just curious. How is it possible that your total Consumer and Small Business SIOs can be less than your Consumer and Small Business NBN SIOs? Thanks.

Andrew Penn: Thanks very much, Brian. It's Andy. Are you happy to take those – Vicki, I'm not sure I fully understood the second question. But did you and Michael

Nathan Burley: I can take it if you like.

Vicki Brady: OK, and Brian, thanks for those questions. So your first question was in relation to post-paid handheld mobile, and when we put up prices, we do often look to give our customers more data as part of that. And obviously, we're seeing mobile data demand and fixed data demand really growing on our network. That's been consistent for many years now. And so in terms of the cost of that, obviously there's the capex cost of rolling out the network and putting sufficient capacity in. So that gets built into our capex envelope, and that drives a lot of our capex spend. So the reason we put those extra data inclusions in is because customers see that as valuable. Their data demands keep increasing, and we see that load on our network. But in terms of the cost it drives, it really goes into the capex investment into our mobile network. And then Nathan, I'll get you to comment on the SIO numbers.

Nathan Burley: So Brian, on the SIO numbers, you're right. We have changed our C&SB SIOs and ARPU disclosures slightly. That's just due to some new systems as a result of the digitisation program that we have done. And your second question around total NBN SIOs being more than broadband SIOs; the difference is the voice only SIOs. I think if you take that into your calculations the numbers will all add up. But happy to work through that with you later if it's helpful. Just a reminder for media: if you would like to register a question, press star one. But for our last analyst question, it comes from Ian Martin [from New Street Research]. Go ahead, Ian.

Ian Martin: Yeah, and I'll take my questions offline, Nathan, but Andy, I just wanted to

congratulate you on a job well done. You've made a great contribution I think in difficult circumstances, and I think left the company with a far stronger outlook than we might've thought six, seven years ago. So well done.

Andrew Penn: Thanks very much, Ian, and I appreciate that very much, and I couldn't think of a more appropriate analyst in the representative investment market to finish my last question of my last results presentation as the CEO of Telstra. You've been a source of great wisdom and you've got a great insight to the industry, particularly around the regulatory frameworks. And so, I've very much enjoyed your input and support along the way as well. So, thank you, and I'm sure the team will look forward to taking up your questions offline.

Nathan Burley: So we'll shortly pause before the media are able to ask questions, but Andy, any final comments you'd like to make before we move to media?

Andrew Penn: I know it's been a long call and I'm sure people are really keen to get on. So look, I'm just really maybe wanting to repeat a little bit of what I said at the front, which is thank you to all of your support over the years. You challenge us quite appropriately and you show a keen interest in following the business, and that's very much appreciated because it holds us accountable. That's important. And it challenges us and I think it helps us increase our conviction around our own journey and the way forward. So thank you for that. As I said, as I look back on my period as the CEO, I mean, it's been an interesting journey.

There's been a few ups and down as people have pointed out, but I am proud of where I end that journey. And the thing that I'm most proud about is the team and the culture and the organisation and the way of working that I leave behind, because strategies come and go, and disruptions happen, and regulatory change and new competitive dynamics appear. But in the end, the thing that's going to sustain the company is the quality of the people and the culture within the organisation, and the strength of the team. And as I say, I couldn't be more delighted that we've appointed my successor and then Vicki's successor from within the team. So my best wishes to both Vicki and Michael for the jobs that they were both instrumental in T22, as was the rest of my direct reports and the broader team at Telstra, some of which you've spoken to today obviously, Brendon and David. And of course, there are many others involved as well.

I also wanted to just make a call out to our Board. They obviously don't form part of this direct engagement with the market, but John Mullen who's chaired the Board for the majority of the time that I've been the CEO, and the Board itself has been incredibly supportive as we've navigated this journey.

So look, that was really it from me, Nathan. Well done to you and the IR team. Despite our ups and downs and our journeys along the way, I think our IR team is second to none and we strive to try and make ourselves available, be transparent in our communications and respect the job you need to do whilst we're doing our job as well.

So look, just thank you to everybody, and I really appreciate your support and

look forward to our paths crossing perhaps in different circumstances in the future. So thank you and appreciate all the support.

Nathan Burley: Thank you, Andy. We will now pause with a short video before the media Q&A starts. Thank you.

[Video plays]

Media Q&A

Nicole McKechnie: Good morning. Welcome to the media Q&A session today for our results presentation. Don't forget, if you do have a question, please press star one and register that question as soon as possible. So the first question we've got today comes from Zoe Samios from Nine Media and Fairfax. Good morning, Zoe.

Zoe Samios: Good morning. Thanks, Nic. Hi, Andy. Hi, Vicki. Thanks very much for your time. I'm going to be like the analysts and ask three questions because it seems to be the flavour of the morning. I had a couple of different things. The first is just on the Fetch acquisition which I think was completed last week. I'm wondering if you have any plans to integrate, I guess, Foxtel, which you also have a stake in, into the Fetch platform and if there's going to be any relationship between those two companies?

The second thing is just related to Digicel [Pacific]. I know that there were some disputes around a tax that the Papua New Guinea Government was trying to put in. I'm just wondering if that has all been resolved. I saw that there were some reports about court.

And just finally, on the infrastructure deal; I know that Optus is saying that it doesn't have a business case for ongoing investment in regional areas, or it's been undermined. I'm just wondering if you think that the deal actually will impact or reduce their business case, or whether or not that's more of a bluff in light of concerns about increased competition in the regions?

Andrew Penn: Thanks very much, Zoe, and well done for adopting the analyst model of three questions. I'll make some comments and then I'll hand over to Vicki. On the last comment re Optus, I think if Optus spent a bit more time focusing on their own customers and business, they wouldn't be so far behind us on so many fronts. But I don't know what their business case is, but we've been investing in regional Australia for a very long time. This deal with TPG obviously, which is still subject to ACCC approval – which by the way, I couldn't imagine why they wouldn't approve it because it's a great outcome for customers. It's a great outcome for regional Australia. And so, we've made it work investing in regional Australia and supporting regional customers, and TPG are finding a way to make it work. So to be honest, I'm not sure what Optus are bleating about. But there you go.

On the Fetch acquisition, just a little bit of background: so as you know, we have Telstra TV which has been an incredibly popular product for Telstra, and it's in many hundreds of thousands of homes, and we've got a lot of active

users on it. It's a great platform. It's an IP-based platform, and of course, you can access all of the IP Foxtel products on that, whether it's Binge or Kayo or Foxtel Now. And so our customers love it.

The underlying technology platform for that is provided by Roku, and we did a deal with Roku – I can't remember now – probably six or seven years ago when we first launched it. Roku is taking a different direction, which means at a practical level, the underlying technology platform won't be supported going forward. So we needed to find a new technology solution. So that's all our Fetch acquisition is about. It's not actually about the content. It's actually about finding a successor technology platform to Telstra TV and that's why we're acquiring Fetch, and it offers a great solution to that, and we hope that we'll be able to continue to provide access to those wonderful Foxtel streaming products when we do.

On the Digicel [Pacific] tax dispute; the background to this is that – I'm trying to get my timing right on this, or my dates right on this, but I think it was around about December of last year, the Papua New Guinea Government introduced a potential tax into their legislative process, but it was subject to consultation. But the potential tax that they introduced would've had an impact on the earnings from Digicel [Pacific] effectively to Telstra. And we participated in that consultation process, and through that consultation process, the PNG Government determined that they wouldn't proceed with that tax. And part of the reason for that was that they could see that we would be investing in the country, and that actually how we were structuring the business would lead to a higher tax return for them in any event.

And so they basically withdrew that tax and so that's fine. However, in the process of doing that, they did introduce an alternative, or if you like a different tax, which had an impact on the vendor, and the vendor has gone into arbitration in relation to that matter, and that's probably the reference to the court hearings that you've read about. It's between basically the vendor and the PNG Government. So whatever the determination of that impacts the vendor. It doesn't impact Telstra. We have a really good relationship with the Papua New Guinea Government.

I've had direct dialogue with the Prime Minister, James Marape, who's also just been of course re-elected, and his Treasurer, Ling-Stuckey, who's also in the transitional Cabinet. And we've got a great partnership with the Australian Government. So I'm very happy about our relationships and partnerships there. And that tax dispute – well, not so much a tax dispute – but that tax process has been resolved. So Vicki, I'm not sure I've left you anything to say there, or if you did want to say anything. But any comments from you?

Vicki Brady:

I think Andy, that's a very extensive response to Zoe's three questions. And I just reinforce, I think the deal that's in front of the ACCC for approval with TPG, I mean, we're excited. We think it delivers great outcomes for customers in regional Australia. It's good for competition, and obviously TPG and ourselves have found a way to make that infrastructure sharing work from a commercial point of view. So overall, we see it as a very good outcome. So that would be my only add, Andy.

Nicole McKechnie: Thank you. Thanks, Zoe. The next question is from Eric Johnston from The Australian. Hi Eric.

Eric Johnston: G'day. Thanks for taking my question. Yesterday, Matt Comyn was talking about wage rises more generally in the economy, hoping that they don't exceed CPI, and I just wonder if you could just give me some colour around your recent staff negotiations with wages, and what was some of the thinking behind there?

Andrew Penn: Sure. Thanks very much, Eric. I didn't actually see Matt's comments myself, but Vicki, do you want to talk about our position, because we provided a slide in our investor briefing, Eric, which you may or may not have seen, but please do have a look, which really addresses the inflation questions on our business holistically and including on labour. But I might pass to Vicki because she may well want to make a comment on that.

Vicki Brady: Yes, no, thanks Andy, and thanks Eric for that. Just in terms of where we stand, we have recently negotiated our EAs across our business, and so that has, for the next couple of years, provided some certainty around wage increases. And the thing I would call out importantly through those negotiations: yes, wages are very important, but so too are many of the other benefits. And what we've seen is exceptionally high engagement and vote for our EAs, so not only the yes vote, but the participation was at incredibly high levels, I think record levels we saw in terms of participation, and what we're seeing across our teams is things like flexibility, the ability to work flexibly. Some of our terms around parental and personal leave, those things are incredibly important. We saw a very strong vote for our EAs, and that does give us some certainty, as I said, for the next couple of years on wage increases. And at the end of the day, for that to work, it's got to work both ways, and we've certainly seen our employees vote very positively for the new EAs we've put in place.

Nicole McKechnie: Thanks, Eric. The next question is from Lucas Baird from the AFR. Hi Lucas.

Lucas Baird: It's just two from me. The first one just on the NBN. There's been a lot of talk from the RSPs about NBN resetting the whole pricing structure very radically, but the sense I got from them when I talked to them earlier in this week was that whatever they submit isn't going to be really some radical overhaul. What specifically are you expecting to come out of them, and how do you expect to manage that over the coming years if we still see something like CPI-linked price rises coming through?

And then the second one: Vicki, when you were talking about the infrastructure segment earlier, you said due to the cost inflation and customer demand profile, earnings will be significantly lower from FY26 onwards. So I'm just wondering can you elaborate on what you're seeing there and what changes in the customer demand profile you're seeing?

Andrew Penn: Thanks very much, Lucas. I'll take the NBN one and then Vicki can obviously address the inflation one. So just to clarify how this process works at a

practical level is that we have a – as a retailer, all retailers enter into a wholesale broadband agreement with the NBN, which incorporates effectively a Special Access Undertaking. And those instruments effectively determine the pricing structure and the servicing structure and commitments between NBN and the RSPs of which we of course are one.

The process by which that occurs is that the NBN submits the Special Access Undertaking every time it updates it to the ACCC, and the ACCC can either accept it or reject it. They need to get to a point where they've got an accepted one and then that gets rolled out effectively with the RSPs.

The ACCC, by the way, does have it within its powers if it can't get to a point of agreement, to effectively do its own regulatory assessment and then determine the arrangements. But they have not to date exercised that particular power. And then of course, the other dynamic to take into account is, of course, the NBN understandably operates under a statement of expectations which is determined by the in-seat government, because it's a government-owned entity. And so what's been happening is effectively we've been going through a process of the last several months where the NBN has been putting forward a new Special Access Undertaking which is, as you say Lucas, would have led to increased prices and a set of arrangements for which Telstra and the rest of the industry – I don't want to speak for them, but I think it's fairly clear we're not satisfied and not happy, and didn't think that was the right outcome.

In the meantime, we have seen a change of Government, a change of Minister, and the new Minister has issued NBN with some advice and some guidance regarding her perspective on all of this, and that's led to NBN withdrawing that Special Access Undertaking. So we would hope from here that we would see some material changes into whatever the NBN might submit to the ACCC, because my instinct is if there's not, then the ACCC is just going to reject it again.

And the material changes that we would like, and I guess expect to see, really go to issues that I've been on the record of raising, going back several years, which is really the overall level of the wholesale pricing, the structure of the wholesale pricing including effectively the CVC, and then finally making sure there's a tighter link between the service obligations that NBN has, as a wholesale provider between itself and the RSPs, to mirror the obligations we have in law as an RSP to the end customer, which of course, we depend on the wholesale service for.

So they're all of the changes in there for the dynamics and I'm optimistic and hopeful that we will have an expedited outcome to a much more conducive pricing and service structure for the industry, which will be better for customers and better for long-term economics of the industry, and ultimately better for the digital economy. Vicki, do you want to maybe take the inflation one?

Vicki Brady:

Yes, absolutely, and thanks Andy, and thanks Lucas for your question. Yes, so just as I was speaking today, I was talking about our inter-city fibre project,

so this is rolling out connectivity across the nation, connecting key capital cities. And so a couple of things have happened. We announced our intention to build this major build project back in early February this year, and post there, we've been in a tendering process and lots of commercial discussions. And what's come out of that firstly on the cost side: yes, we have seen inflationary pressure, particularly on the construction and fibre supply side, but that construction side probably not surprisingly. And I think we're seeing that across Australia a lot of companies facing that pressure, and rolling out a project of this size, it does require a ramp up in people to be able to do the construction. And so yes, we've definitely seen inflationary pressure there.

We've also been in very detailed discussions with customers, including obviously Microsoft will come on as an anchor tenant. And as we've done that, we've started to understand in more detail how customers see demand, the profile of that demand. And so those couple of things have meant that what we had anticipated in FY26 in terms of the EBITDA, we do now estimate that will be significantly lower. However, we are still seeing very good demand beyond FY26. So this is a very important project for the nation. It is key infrastructure that helps support connecting the nation and helps supporting the overall digital economy.

We absolutely remain with strong conviction on it, and so it is more short term as we make the choices around which routes we build first and a profile of demand. We see that impact in FY26, but still very good IRRs and very good long run returns. And we see strong demand for this build and this capacity to be provided. So Lucas, hopefully that gives you a little bit more colour on it.

Nicole McKechnie: Thanks, Lucas. Just before we go to the next question, a reminder if you need to register, you can press star one to register for questions. Our next question comes from Rowan Pearce from Comms Day. Hi Rowan.

Rowan Pearce: Hi guys. I just had a quick follow-up on Michael's comments on 5G fixed wireless. Can you give me a sense of where the early demand has been for that product? Has it been from particular types of households or households on particular types of NBN technology, for example?

Michael Ackland: Thanks Rowan. Well, actually, we've been pretty focused in the way that we've gone after fixed wireless, and we've been focused on those areas where we think fixed wireless can deliver a better outcome for an individual customer than they're getting on a fixed service. And I think that's incredibly important, which does mean that more of our demand has been in areas where it'll be fibre to the node on a long copper line into fibre to the node, where a fixed wireless service and 5G service can deliver a better outcome. That said, from a demand point of view, we've seen demand from all across the country and people with all different types of NBN technology types as you referenced.

Nicole McKechnie: Thanks Rowan. Thanks Michael. Our next question comes from Richard Chirgwan from IT News. Hi Richard.

Richard Chirgwan: Hi, a quick very short three-parter regarding the decline in consumer bundling. One, does Telstra have a specific factor that it would attribute that to? Two, do you think it is specific to Telstra or industry wide? And three, what do you hope to do about it? Thanks a lot.

Andrew Penn: Thanks very much, Richard. Is your question specifically in relation to just bundled services, or in relation to home broadband?

Richard Chirgwan: No, the 81,000 decline in bundle services.

Andrew Penn: I might pass to Vicki. Do you want to comment, Vicki?

Vicki Brady: Absolutely, and thanks Richard for your question. Yes, we have seen that decline in terms of our net SIOs or net customers for home broadband services, and there are a couple of factors there. So firstly, we are now in the final stages of the NBN migration, so that does play a part in terms of that process of migrating customers, and some of the last customers to migrate over. It can be a challenging experience and so there is a little bit of that going on.

There is also, I think it's fair to say, the broadband market is a dynamic market with new players entering and it is very competitive. We've got a very clear strategy around how we compete in mobile – in our fixed broadband business, and it is absolutely we provide a premium offer in market, so we have our Smart Modem included. We have a great service experience that is bundled into that.

And so, look, yes, we have seen some SIO decline. We've seen our average revenue per user increase, and one of the things we are looking at, we no longer run to have good sustainable growth and be competitive in that market. We need to address that SIO decline. But overall, we're not at the very final stages of the NBN migration, and that plays an important part as we look forward.

It has been a very unusual period when basically every Australian consumer for broadband services has had to make the choice and has been unsettled through an NBN migration. We're at the final stages of that. And we're focused. We're always looking at our propositions, and looking to be competitive and deliver to customers what matters most. And we know how important broadband is, and our high-quality modem and experience we provide is something in our Telstra brand of business is incredibly important.

Nicole McKechnie: Thanks Vicki. Just a quick reminder: star one for questions. The next question from David Swan from The Australian. Hi Dave.

David Swan: Thanks very much, Nic. Congratulations to you, Andy, on your tenure, and congratulations Vicki on your appointment. Again obviously, I'll go for three questions. Firstly, I just wanted to ask about the network sharing deal with TPG. It's been called a merger by some. If the ACCC doesn't allow it to go ahead, and it sounds like you're not expecting that, but if that's the case, is

there a contingency plan? Would you make a revised submission for example, or would you just go back to business as usual?

Secondly, I wanted to ask about post-paid and given inflation and cost of living pressures. I want to ask about if there's been any churn since the recent price rise in July, if you think you have the balance right when it comes to value to end customers on post-paid.

And thirdly, I wanted to ask Vicki about starting the new role. Obviously, you're inheriting the T25 plan and that's pretty clear, but if we can expect anything to maybe change under your leadership, if anything?

Andrew Penn:

Hi David. Thanks for that. It's Andy. I might just comment quickly on the network sharing deal and then hand to Vicki to cover the post-paid churn and question, not that there is any, but the question about it rather, and then on your direct question for Vicki.

On the network sharing deal, it's not a merger. So that's obviously just mischievous stuff put out by probably the only party in the country who is not really keen on it. But anyway, it's a network sharing deal. There's lots of network sharing deals around the world. It's a common feature of telecommunications. It makes an enormous amount of sense. And in fact, and I don't want to speak for the ACCC, that would be presumptuous and rude of me, so I'm not. They're obviously going through their process, and I have no insight into what their conclusions are, or what they will be, or when they will necessarily report.

But the reasons I've said that I can't imagine why they wouldn't support it is because it's good for customers, it's a commercial network sharing deal, it's good for TPG, it's good for Telstra, it's good for regional customers. In that sense, everyone's a winner out of it. And also, when the ACCC have previously reviewed the mobile industry or the mobile sector in Australia, they've actually been the ones who have said, "It would be great to see more proactive commercial network sharing." So I can't see why. As I say, this is a win-win.

But I understand why one particular party doesn't like it, and they never really liked very much that we do. So with that said, in terms of the contingency plan, well as I say, firstly the ACCC have to go through their process and then when they make a decision, that decision can be subject to challenge, whether it's a decision that any particular party doesn't like, and I'm not saying what we may or may not do in that regard. As I say, I'm not anticipating them not approving it. But ultimately, we'd need to factor through.

But in the end, if for whatever reason it didn't go ahead, we will continue to do what we've always done, which is to be a big investor in regional and rural Australia, a big supporter of the Mobile Black Spot Program, a big supporter in investing in regional Australia, which by the way, everybody has the opportunity to do so. It's just that others have chosen not to do so to the same degree that we have. And I can't quite understand why they haven't, because it can't be an argument of their balance sheet size. Our competitors have got

balance sheets as big as us. They're big large, global, international companies. Yes, so we'll just continue to invest in regional and rural Australia and support those customers. But with that, I'll hand over to Vicki.

Vicki Brady:

Thanks Andy for that, and thanks David for your questions. So just on the first one around mobile post-paid and pricing; so the first thing I would say is absolutely, we're very conscious of the pressure, the cost of living pressure that our customers are under. Back when we announced T22, we made some very big changes, and implemented big changes in the way our mobile post-paid propositions work for our customers. We got rid of contracts. We got rid of excess data charges. We got rid of a lot of the things that were at the heart of what customers saw as very big pain points for them.

So customers do have incredible flexibility with us. They're not in contract. They can move between plans if their circumstances change. So that's a very important piece to understand. We also do have our multi-brand strategy, so a choice of brands and propositions that give customers a real choice. And the thing I would say is we're very aware of the current circumstances, and yes, we have addressed those core issues with our plans, and equally we manage very closely and work closely with our customers who find themselves in difficult situations, and particularly working with vulnerable customers. So it's something very much at the forefront for us.

In terms of the most recent price changes; when we implemented those, we had an expectation around what we might see in terms of customers moving plans or churning, and what we're seeing right now falls in line with what we anticipated. So the question of have we got the balance right; this is always a difficult decision when you're making the decisions around seeing cost pressures from inflation in the business, and then making the choices around the right pricing.

And importantly, Australian consumers rightly demand a very high level of mobile experience and service. And we have one of the best mobile networks around the world with the Telstra mobile network, and we do need to invest in that to deliver the right experience that our customers want. And so, at the moment, they're always difficult decisions, but I think we've probably got that balance about right. But it's something we are watching very closely as we see how things unfold, and how our customers are adapting and adjusting to the various pressures and cost of living pressures they're facing.

Just in terms of 1 September; yes, it is getting very close now, and I am incredibly excited to move into my new role, and really a massive thank you to Andy. It is great to step into the chair following his leadership and all of the transformation that's been delivered under T22. It doesn't mean it's done. We've still got so much more opportunity ahead of us, and I'm really excited about that.

The first thing I would say is: the Telstra team is an extraordinary team. There is a very deep passion and sense of purpose in what we deliver for customers, and that connectivity has never been more important.

And I am excited by what we can do for our customers, both in terms of their experience day-to-day, but importantly, in the network and technology solutions that we can bring and help enable them to really get the most out of this new world we're living in, and we've all lived through COVID and seen how important the digital world is, and that connectivity that powers it is critical. And so, I am really excited.

My initial focus: yes, we've got T25 in place. It's the right strategy. We've just issued guidance to the market for FY23 for growth. And so I'll be very focused on making sure we continue to drive those improvements from a customer standpoint and bringing those exciting leading technology and network solutions to our customers.

Nicole McKechnie: Thanks Dave and thanks Vicki. Well, that's the last question for today. Before I wrap, Andy, I know you will be missing all of these questions in the future, so I just thought I'd give you one last shot to share any parting gifts.

Andrew Penn: No, just really from me just to say thank you to the media for their interest and just following us over time, and always giving us a fair go and supporting what we're doing as well at the same time. We appreciate the level of interest that you show in Telstra, and I'm proud to be leaving the company at this point in time. It's with mixed emotions, but it's the right time, and really pleased to be handing over to Vicki who's going to do an outstanding job, I know, and to Michael as the CFO. And I'm sure our paths will cross again in the future and in the various different things I'm sure we'll all be doing. So thank you very much.

Nicole McKechnie: Great. Thanks Andy. Thanks everyone.

[End]