



21 February 2025

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Telstra Half-Year Results Presentation, 20 February 2025 - Transcript

In accordance with the Listing Rules, attached for release to the market by Telstra Group Limited, is the transcript from Telstra Group Limited's Half-Year Results Presentation on 20 February 2025. The transcript is also provided for the information of Telstra Corporation Limited noteholders.

Release of announcement authorised by:

Craig Emery
Group Company Secretary

Introduction

Nathan Burley: Good morning and welcome to Telstra's results announcement for the half year ending 31st of December 2024. I am Nathan Burley, Head of Investor Relations. I am joining you today from the lands of the Gadigal people, and on behalf of Telstra I acknowledge and pay my respects to the Traditional Custodians of Country throughout Australia, and recognise the continued connection Australia's First Nations peoples have to land, waters and culture. We pay our respects to Elders past and present.

This morning we will have presentations from our CEO, Vicki Brady, and our CFO, Michael Ackland. We will then open to questions from analysts, investors and the media. I will now hand over to Vicki.

Presentation from Vicki Brady

Vicki Brady: Thanks Nathan and good morning everyone and thank-you for joining us. I'll make some high-level comments about the broader landscape, the telecommunications sector, and Telstra's overall business performance, before Michael gets into the details of our financials.

Starting with our sector, I spoke at our Full Year Results in August, about the critical role that telecommunications has to play in Australia's future, and in realising the benefits of transformative technologies including AI to unlock productivity, innovation and growth. When you think about the developments we've seen since then, you can see how rapidly this space is evolving. There are two points I'd like to make on this.

First, AI needs to be underpinned by secure and reliable connectivity, which translates into massive demand for digital infrastructure assets. There is no AI without connectivity, and to realise its potential, we absolutely need to get the foundations right. The telecommunications sector has a vital role to play in Australia's future resilience and prosperity, and that role will only grow as technology continues to evolve.

Second, to deliver on the connectivity demands of the future, as a company, we absolutely need to be a leader in AI. Our joint venture with Accenture will see us tap into the global best to complement our own leading AI capabilities, and help us reach our customer experience and network leadership ambitions faster.

We are in an exciting era as connectivity and technology are transforming again. There are vast opportunities ahead of us, but to remain a leader we need to accelerate. I see this joint venture as a defining moment in our AI journey to help unlock value for our customers, our people, and our business.

Turning now to Telstra's performance for the half. You can see a summary of our results on this slide.

These are a strong set of results, delivering a fourth consecutive year of first half underlying growth, reflecting momentum across our business, strong cost control and disciplined capital management.

Financial performance in first half 2025 included EBITDA up 6% to \$4.2 billion, Profit for the period up 7.1% to \$1.1 billion, Earnings Per Share up 6% to 8.9 cents, and ROIC up 0.2 points to 8%.

Our FY25 guidance remains unchanged.

We are committed to increasing earnings, capital discipline and portfolio management, with the aim to further improve ROIC.

On the back of earnings growth, the Board resolved to pay a fully franked interim dividend of 9.5 cents per share, representing a 5.6% increase on the prior corresponding period.

This outcome is consistent with our capital management framework principle to maximise the fully franked dividend and seek to grow it over time.

Today we also announced an on-market share buy-back of up to \$750 million, which has been enabled by our fiscal discipline and the strength of our balance sheet. Our ongoing focus on portfolio management further strengthens our balance sheet and our ability to return capital. This includes the recently announced sale of our Foxtel interest to DAZN and the sale of our Titanium Ventures Fund II interest for \$137 million.

The buy-back supports earnings and dividend per share growth over time, and, along with the increased interim dividend, demonstrates the Board and management's strong confidence in our financial strength and outlook.

Looking now at our results across the business. We grew underlying EBITDA across our Mobiles, InfraCo Fixed, Fixed C&SB, Fixed Enterprise and International businesses. Our Mobiles business has continued to perform strongly, with EBITDA growth of \$92 million. This growth was driven by more people choosing our network, with 119,000 new mobile handheld customers and ARPU growth. Mobile services revenue grew by 3.1%.

Our InfraCo Fixed EBITDA grew by \$58 million, reflecting ongoing demand for our assets.

Our Fixed C&SB business continued to grow, with EBITDA growth of \$78 million, reflecting ongoing cost discipline and ARPU growth.

Our Fixed Enterprise business EBITDA grew by \$25 million, reflecting the decisive actions we have taken so far to reset this business, resulting in cost reductions.

These actions include the progress we have made towards reducing our product portfolio by two-thirds, and reorganising our teams to deliver better for customers and operate more efficiently.

We continue to focus on the overall reset of this business.

Our International business EBITDA grew by \$29 million due to strong growth in Wholesale and Enterprise from improved product mix and cost discipline. Our

Digicel Pacific business continued to operate in a challenging environment.

On costs, we reduced operating expenses through role reductions and productivity gains, partly offset by cost inflation. Core fixed costs decreased by 4.8% or \$161 million.

Cumulatively we have reduced our core fixed costs by \$283 million since FY22 and are on track to achieve our \$350 million ambition by the end of FY25.

Turning briefly to our T25 strategy. Overall, this is on track, including our growth ambitions in underlying EBITDA, EPS and ROIC.

We are approaching a significant milestone as we finish one strategy and begin a new one, and we're in a good position with strong momentum in the business.

Our achievements by strategic pillar and overall scorecard performance are included in the Appendix slides lodged with the ASX today, so I won't talk to them in detail.

The more than \$40 billion in capex and spectrum we have invested over the last decade has radically transformed the connectivity Australia relies on, and we continue to invest.

On digital infrastructure we have seven fibre routes between Australia's major capital cities under construction, as part of our new intercity fibre network, with more than 3,000 kilometres of fibre in the ground.

We are pleased to announce that the first two routes from Sydney to Canberra, and Melbourne to Canberra, will be ready for service later in 2025, and we are already taking orders.

These brand-new routes will enable at scale delivery of dark fibre solutions, and options for wavelength services for a wide range of customers, including hyperscalers and the AI industry.

The foundation fibre will also have the ability to serve regional cities and towns along the route, enabling productivity and economic development opportunities in regional Australia.

As you can imagine this is a big and complex project. We are building momentum, whilst also managing some delays and cost pressures. We remain committed to managing the project within the \$1.6 billion envelope, and to delivering mid-teens IRR.

We will be disciplined in the build of this 30-year asset, including prioritising the build of routes in line with customer demand and returns. We are very confident in what this network will deliver for customers, shareholders and Australia.

We also continue to invest in our mobile network, and we have expanded our coverage to more than three million square kilometres, now reaching 99.7% of Australia's population. To put that in perspective, our mobile network covers more than double the area of Optus's network, and around three times the area of

the Vodafone/TPG network.

We expanded our 5G network to cover 91% of the population, and we're on track to deliver on our goal of 95% 5G population coverage by the end of FY25.

We will increase our mobile network investment by around \$800 million over the next four years within our business-as-usual capex. This is to extend our network leadership and deliver customers the most advanced, resilient and reliable 5G mobile network in the country.

As part of that we are extending our partnership with Ericsson to deliver advanced 5G performance, and to move towards autonomous self-healing networks.

This plan will see us upgrade our Radio Access Network with Ericsson's next-generation Open RAN-ready hardware, along with implementing 5G Advanced software, and AI and automation to optimise network management.

This follows the closure of our 3G network in the half. I want to acknowledge there are a small number of customers who have faced issues since the closure. We are working with them to identify the cause and help them with their connectivity.

This includes launching a dedicated 3G helpline to address customer and device related questions, as well as a team of tech experts ready to find the best solutions to resolve issues.

The driver for the closure of 3G remains the same - to deliver the best mobile network we can for our customers. This has meant migrating customers to 4G and 5G networks that are faster, more secure and more reliable, and being able to redeploy the 3G spectrum to further improve those services.

In January we announced a collaboration with SpaceX's Starlink to deliver direct to handset outdoor text message capability to parts of the country that are beyond the reach of our mobile network.

Down the track, direct to handset has the potential to be a game changer from a safety perspective for people living and travelling in remote Australia.

But just like mobile networks have not replaced fibre, satellite does not have the capacity to replace mobile in the majority of areas. Terrestrial mobile networks will remain the primary form of connectivity for most people. We will continue to invest to maintain our terrestrial network coverage advantage, so that our customers can have the richer experience from more areas before they handover to complementary satellite coverage.

For customers, we are continuously improving the experience for them, and while there is always more to do, I'm pleased to say we're on track to meet our Episode NPS T25 target.

We also continue to be there for our customers in vulnerable circumstances, and we are on track to keep more than our target of one million customers connected in FY25.

We know that cyber security and scams are a growing concern for our customers. We have expanded our Scam Indicator product with the Commonwealth Bank to cover both landlines and mobiles, and we recently extended this collaboration with a new product called Fraud Indicator to help prevent identity theft for our joint customers.

Alongside this, for our Telstra customers: we launched Device Security Essentials to help protect mobile phones from online threats; we introduced Scam Protect to alert mobile customers to suspicious incoming calls; and our Cleaner Pipes initiative continues to block millions of scam calls, texts and emails from ever reaching them.

For Australia, over the last six months, we have paid more than a billion in dividends to shareholders, benefiting more than 16 million Australians. We also announced an up to \$750 million share buy-back today.

On disaster preparedness, we committed to upgrading 1,000 payphones in disaster-prone areas with free Wi-Fi, USB charging ports and backup power by mid-2025. We've now upgraded almost 900, which can be a critical lifeline when the power goes out, and we continue to focus on improving the resilience of our assets to power failures.

A big thank you to our teams who work all year round to make sure we're as prepared as we can be for when disaster strikes.

As we look ahead, we are focused on finishing T25 strongly, and putting the business in the best possible position to commence our new strategy. I'm looking forward to sharing more details about our new strategy closer to the end of this financial year.

To close out FY25 strongly, we remain focused on lifting customer experience, delivering financial growth and value from our world-leading mobile network and infrastructure, continuing the reset of our Enterprise business, and delivering on our commitment to simplify our operations and improve our productivity.

Let me close by reiterating that there is no version of Australia's future that does not rely on technology in some form, and it will all need to be connected.

Telstra's digital infrastructure and network will be increasingly important to Australia's future prosperity, and we will continue to invest sustainably to deliver for our customers, our shareholders, and for Australia.

My sincere thanks to the Telstra team for all their efforts over the half. As we head towards the finish line on T25, it is their work and dedication that has helped put us in a strong position.

I'll now hand to Michael to take you through the results in detail.

Presentation from Michael Ackland

Michael Ackland: Thanks Vicki. So turning to Slide 12, which shows our continued growth. This is

our fourth consecutive year of first half underlying growth. We've delivered a Net Profit after Tax of \$1.1 billion, up 7.1%, and Earnings Per Share of 8.9 cents, up 6%. This growth has been driven by strong cost management and earnings growth across key products, despite higher depreciation and amortisation expense.

While total income increased just under 1%, we reduced operating expenses by almost 2%, with our ongoing focus on cost discipline. This result follows the cost actions we announced in May 2024.

EBITDA of \$4.2 billion was up 6% on a reported basis, and 5.8% on an underlying basis.

Depreciation and amortisation expense of \$2.4 billion was up 7.6%. This reflects spectrum acquired in recent periods and the ongoing shift to shorter [asset lives].

We expect the trend of higher D&A to continue in the coming years as we execute the capital program, except for a decrease in the second half of FY25 due to asset retirements in the first half.

Finance costs were broadly flat, as was tax, supported by an effective tax rate of 27.1%. We expect our effective tax rate will remain under 30% due to the mix of domestic, lower-tax international earnings, and non-controlling interests not taxable for us.

With stronger earnings, the Board increased interim dividends to 9.5 cents per share, up 5.6%.

Turning to Slide 13 on product profitability. We're seeing solid growth across nearly all our products, including Mobile, Fixed Consumer & Small Business, Fixed-Enterprise, International and Infrastructure. This was offset by a decline in Fixed-Active Wholesale and Other.

Our International business achieved growth in Wholesale and Enterprise, while Digicel Pacific benefited from the release of the remaining earn out provision of \$39 million.

Other EBITDA includes ongoing costs not allocated to products. The decline was due to a \$47 million gain from tower access agreements in the prior period. Other also includes negative FX impacts this half.

Turning to each of our products, starting with Mobile on Slide 14.

Mobile continues to demonstrate strong performance. Income rose 5% with service revenue and hardware growth, while EBITDA was up 4%. Mobile service revenue grew 3.1%, driven by Postpaid, Prepaid and Wholesale handheld, partly offset by mobile broadband.

Our handheld mobile user base grew 119,000 in the half, or 2.5% versus the prior corresponding period. This is a slower rate than recent years due to lower immigration and the one-off events like the 3G closure. Despite these headwinds, we've seen strong consumer handheld user growth, and consumer branded churn has remained broadly stable.

We implemented price rises across our portfolio in the half. These changes enable us to maintain our ongoing investments in network coverage, differentiation and customer experience.

Prepaid price changes introduced in late October 2024, supported a 6.5% lift in average revenue per user, or ARPU, while Wholesale saw a 6% increase.

Postpaid consumer and small business price increases contributed to ARPU growth. Reported ARPU reflected three and a half months of this benefit, as well as the Enterprise ARPU drop in the second half of FY24 that we spoke about at the full-year.

We expect the second half to reflect the full six-months' benefit of the price increases implemented in the first half.

Turning now to Fixed Consumer and Small Business, where our disciplined execution, focus on sustainable economics and a portfolio of technologies supported EBITDA growth of 74% to \$183 million.

ARPU grew 6%, reflecting price rises that came into effect in November 2023 and July 2024, as well as positive product mix. However, continued SIO losses remain a challenge.

Our portfolio of technologies includes our 5G fixed wireless offering, which we continue to scale with over 100,000 customers, up 24% this half, and our satellite home internet product.

Turning to Fixed Enterprise on Slide 16.

These results reflect the initial actions we've taken to reset our Enterprise business, including actions on cost, enhanced commercial discipline and guardrails, and product exits aligned with our roadmap.

We are focusing on profitable business closer to our core. Other areas may be exited or potentially divested. As Vicki said, we continue to reorganise our teams, which is resonating with customers as demonstrated by recent wins and recontracts.

While these results show improvement, there is still lots more work to do to simplify our portfolio and execute against our roadmap.

Data & Connectivity, or DAC, remains impacted by ARPU compression and technology change. Income fell 8% and EBITDA dropped to \$42 million.

In Network Applications & Services, or NAS, revenue was up slightly due to the contribution of prior year acquisitions. This was offset by ongoing structural decline in calling applications, lower sales in less profitable products consistent with our strategy, and a decline in professional services.

Our cost reduction program supported earnings growth, with EBITDA of \$54 million up from \$17 million in the first half of FY24. In addition, growth was

supported by the timing of BAU redundancies, which is expected to reverse in the second half.

Turning to International on Slide 17.

Wholesale & Enterprise revenue continued to benefit from ongoing demand for our offshore infrastructure and subsea cable capacity. DAC grew 4% in constant currency, offset by declines in legacy voice and NAS.

Cost reduction and positive product mix saw EBITDA grow by 9% to \$194 million.

Digicel Pacific reported EBITDA increased 8% to \$179 million, reflecting a release of the remaining earn-out provision. Excluding this, and in constant currency, EBITDA was down 3%, with modest sequential growth from initiatives taken to address the challenging operating environment.

Turning to Infrastructure on Slide 18. Income from InfraCo Fixed grew 3.8%, with core infrastructure access up 4.7% due to demand from nbn Co, internal, and other customers for dark fibre and ducts.

Core access EBITDAaL grew 8.3%, reflecting lower operating and maintenance costs, and operating leverage.

Amplitel continued to benefit from strong demand for [existing and] new towers, and new signings. EBITDAaL grew 5.6%, excluding the gains from customer contracts in the prior period.

Regarding our strategic investments, including the intercity fibre network, we expect to spend \$1.6 billion above BAU capex across FY23 to FY27.

We are responding to delays and cost pressures, and will optimise the rollout for customer demand by adjusting, where appropriate, routes, phasing and kilometres deployed.

We expect to be at the low end of our strategic investment guidance in FY24, with spend shifting into FY26 and FY27.

We are deploying significant capacity, which we expect will support strong revenue growth from growing demand and increased utilisation over the life of this 30-year asset. The timing of reaching \$200 million of annual revenue will depend on routes, phasing and types of customer contracts.

Turning to operating costs on Slide 20.

Our strong focus on productivity resulted in an overall reduction in costs. This included a \$161 million reduction in fixed costs core. This was driven by reductions in our workforce, partly offset by salary increases, reductions in indirect labour, lower commissions, and licence fee, IT vendor rationalisation and other productivity more than offsetting inflation.

Business-as-usual redundancies were also higher in the prior period.

This brings our cumulative reduction in fixed cost core to \$283 million since FY22. We remain on track to achieve \$350 million by the end of this financial year. We expect further productivity gains over the medium term.

Our free cash flow after leases before strategic investment increased 7.6% to \$1.1 billion as shown on Slide 21.

Growth came from higher Underlying EBITDA, flat capex and leases, and lower tax paid.

We also delivered this growth while absorbing around \$300 million in restructuring costs - consistent with our guidance.

Working capital and Other reflects these restructuring costs, normal first half/second half seasonality including an increase in inventory, and growth in handset receivables on higher hardware sales.

We expect working capital reversal to support free cash flow in the second half.

Slide 22 shows our strong capital position and liquidity.

Net debt is stable at 1.9 times, as higher debt was offset by EBITDA growth.

Our balance sheet is strong, and we remain committed to an A band credit rating. This has enabled us to announce an on-market share buy-back of up to \$750 million, as Vicki outlined.

We will continuously evaluate the feasibility of future buy-backs within the context of our strategy and capital management framework.

We have also improved Return on Invested Capital compared to the prior period, and taken actions to demonstrate our focus on capital discipline and active portfolio management in the half.

Finally, turning to guidance for FY25 on Slide 23, which is unchanged.

In summary, our performance continues to benefit from the investments we're making in productivity, our network and customer experience, while our key mobile and digital infrastructure assets benefit from long-term demand drivers.

Our focus is on increasing operating cash generation to support our ambition to grow the dividend over time. I am pleased we've done this for a third consecutive year in the first half, and that our financial strength and outlook has also enabled us to announce a share buy-back.

Finally, I'd like to thank the Telstra team for their ongoing efforts in delivering value for customers, for the community, and for our shareholders. I'll now hand to Nathan for Q&A. Thank you.

Nathan Burley: Thank you, Michael. So we will start with questions from investors and analysts. And I should note on the call today, we also have Brendon Riley, CEO of InfraCo, Brad, who runs our Consumer business, as well as Oliver, who runs our Enterprise business. Our first question is from Eric Choi from Barrenjoey. Go ahead, Eric.

Eric Choi: Hey, Nathan. Thanks very much. And hey, team. Can I please ask one on Mobile, one on cash EPS, one on capital management. Just on Mobile, how do we think about Mobile ROICs going forward? Because you're investing an extra \$800 million in the IC now, and that's on top of the spectrum you've already spent, and you're going to need to spend more, presumably, in CY28 as well. So can we infer that you will need more Mobile service growth from here to maintain that Mobile ROIC? And obviously, sub-growth has slowed as well, so that kind of implies this needs to come from Mobile ARPU's.

Second question, cash EPS. Slide 44 is really useful, so thanks, Michael. That shows that cash EPS is above accounting EPS, and then that gap is actually just widening. So I'm just thinking, does that mean, given you've pointed this out sort of more explicitly, does that mean management and the Board could adjust your capital management framework to weight it more towards cash EPS? And is there a scenario where you're prepared to do a little bit less than 100% franking?

And then just lastly on capital management. If you look at two things, so if you look at what AT&T is doing overseas, I think they earmarked 40% of their excess free cashflow over the next three years for buy-backs. And if I look at your capital, you're sort of gearing headroom of 1.5 to 2.0, your headroom to that is only going to grow with EBITDA growth and you make some asset sales. So putting that all together, I just wonder, similar to AT&T, could buy-backs be a more enduring part of your capital management framework now? And if that's the case, I guess that would enhance EPS growth beyond FY26 as well. So thanks, thanks very much.

Vicki Brady: Thanks, Eric, and good to have you online. Some great questions. I know Michael is particularly happy that you like that additional slide on cash EPS. It's also one of his favourites. So I know he's pleased about that call out. Let me, I might make a few comments. Why don't we take them one by one, and I'm sure Michael will likely want to add as well.

So if we start with Mobile. As you can see today, we have announced allocating more of the BAU capex, that \$800 million over the next four years into our mobile network to absolutely cement and extend that leadership position in our 5G network. It's such a core part of our business. As we've spoken about, our ambition and aim is absolutely to increase the overall ROIC of the business. Mobile is a key component of it.

And from my perspective, I'm really confident in our Mobile business. It is in a real leadership position in terms of the network. It's in a leadership position in terms of the overall experience we provide. And I look at the inroads across all elements of customer experience. Yes, the network, but also our contact centres, our in-store experience, our digital experience. And as we've talked about, as we leverage AI more and more, I think those benefits into customer experience and network are also exciting for us. So as I said, aim to increase overall ROIC and confident in our Mobile business.

Michael, did you want to add anything on Mobile?

Michael Ackland: Well, the only thing I'd add is just as we think about the additional investment we've announced today in Mobile, we are seeing that as a reallocation of how we think about our BAU capex going forward. So we are prioritising that [\$]800 [million] versus the other activities in our BAU capex. So I think that's important. But on that, I agree.

Vicki Brady: Yeah, good call out. And why don't I make a brief comment on number two, and then I'm sure Michael will want to jump in. Yeah, looking at cash EPS, we wanted to highlight, I mean, the cash generation of the business is good. And I'm sure we'll get into a discussion a little bit on D&A. So accounting and cash looking slightly different.

But the thing I would say as we work through, and as I said, we will expect to update on our new strategy before the end of this financial year. As we do that in that context, of course, as you would expect, management and the Board will look at the capital management framework, and make sure we've got it set to absolutely deliver overall value creation. So I think that will be part of, Michael, what we come back to. But I know the cash EPS and those metrics, a big focus for you.

Michael Ackland: Yeah, no, thanks, Eric. And I think we wanted to highlight that. And it is, when we think about how we run the business, we are working hard on how we continue to generate growth in cash profit or cash EPS. And there is a divergence you can see with accounting EPS.

So I would sort of refer you back to our capital management framework, which is we'll look to maximise the payment of fully franked dividends, and we'll continuously look for what the other capital management actions are to maximise value for shareholders as we go forward. But driving that cash generation of the business, I think it's a really important place for management to focus. And I think it's an important demonstration of the value that we generate.

Vicki Brady: And then, Eric, I think the third question you pointed to some of AT&T's announcements, and their capital management approach. Obviously, as we're working on our strategy and thinking about the future, of course, we're also having a look and looking at what's happening around the world.

What I would say I think is important, and it's really demonstrated, I think, in today's half year results is, as we think about value creation inside Telstra, we're thinking about it sort of three ways. Firstly, there's obviously the value creation from the growth in the core of the business. And you see that momentum in terms of earnings growth. And that is coming from mobile infrastructure, obviously strong on productivity as well. And whilst we manage our BAU capex and reallocate it to those areas like Mobile, where we see big opportunity.

The second thing is obviously strategic investment and our portfolio management. We've obviously got intercity fibre under build, and we are actively managing the portfolio. And again, you've seen in the half, obviously, the Foxtel announcement and Titanium Ventures Fund II.

And then third, as we think about capital management, absolutely. I mean, I think we've demonstrated great discipline in capital management. Today's announcement of the buy-back is another example of that. And of course, we will continuously assess that in the context of our strategy. So I just thought it might help to just talk about the three ways we're sort of thinking about value creation overall. Michael, I don't know if you wanted to add?

Michael Ackland: No, absolutely, I think you covered it perfectly. Thank you.

Nathan Burley: OK. We'll go to our next question from Entcho Raykovski from Evans & Partners. Go ahead, Entcho.

Entcho Raykovski: Morning, Vicki, morning, Michael. Morning, everyone. So I don't want to labour the point too much on capital management, but just conscious that your franking account balance is now in deficit. I think it's deficit of \$275 million. And I presume that's a key factor in your decision to pursue a buy-back rather than declare any special divvy. And so I'm just curious, I mean, do you see a path for that deficit reversing over time, or would you be willing to pay a dividend which is not fully franked?

And then I've got a couple of others. I don't know if I should ask them now or wait for the answer.

Vicki Brady: Yeah, why don't you ask them now, Entcho, and then we'll handle each of them.

Entcho Raykovski: OK, great. The second one is in NAS, Michael mentioned the benefit in the first half from the timing of BAU redundancies. Just if you can clarify, do you expect that to be less of a benefit in the second half? I guess my thinking is presumably you should see the run rate from 1H reductions flowing into the second half. If you could provide further colour, that would be useful.

And then the third question, just looking at your EBITDA growth for the first half, it was a pretty strong outcome, up 5.8%. If I look at the full year guidance, the top end of your guidance range implies 5.5% growth. And I look at the timing of price increases in Mobile, the cost out as it runs through the base, it should deliver better growth in the second half. So I guess my question is, did you consider upgrading the full EBITDA guidance range? And are there perhaps any other negative offsetting factors in the second half we need to take into account? Thank you.

Vicki Brady: Great, thanks Entcho, for those. So why don't I, I think on capital management and the franking account, I'll hand to Michael in a second, because that feels like a space I know, Michael, we're watching closely and you can comment on.

Just in terms of NAS, yes, Michael did call out particularly those BAU redundancy timing. It was a benefit in the first half. We wouldn't expect that same level of benefit the second half. So we just wanted to be very clear about that in terms of expectations around overall NAS EBITDA.

And then on the final point around guidance, the thing I would say is, hopefully it came through today as we spoke to the results, the business is on track. We have reaffirmed guidance. We do provide a pretty tight guidance range. And as you know, there's lots of parts of the business. We're confident in the second half, and

that's why we have reaffirmed guidance today. And looking forward to completing FY25 and coming back to our Full Year Results in August.

But Michael, why don't I get you to jump in on any of those?

Michael Ackland: Yeah, so you're absolutely right. Our franking balance is tight, and a little tighter than it has been. And that's – well, partly driven by the lift in D&A as we've gone through. We do see a pathway to manage that, but it is tighter than it has been. So we remain confident in our ability to manage it, but definitely tighter than it has been.

On timing of – on the BAU redundancy point, just to sort of clarify, and it sort of feeds a little bit into the first half, second half, is if you look at the first half of FY24, in our opex, we spent more on redundancy in BAU than we have spent in the first half of FY25, which is why we get that PCP gain. We will spend probably more on BAU redundancies in the second half than we may have in the second half of FY24. So that'll create a headwind. Offset to that, as you rightly point out, is the sort of annualising benefit of the role reductions coming through.

So there's a few puts and takes in there, but we wanted to specifically call out, not just in Enterprise, but across the board, our fixed cost core PCP reduction has benefited from having less redundancy money spent in the first half of FY25 than we spent in the first half of FY24.

Nathan Burley: We'll take our next question, which comes from Tom Beadle from Jarden.

Tom Beadle: Oh, hi, Vicki. Hi Michael and team. Thanks for the opportunity to ask questions. I've got three as well, please. Just firstly, maybe on mobile Postpaid ARPU, obviously it was in line with, I think, most people's expectations, but I'd just be interested to dig into some of the moving parts there. I know you've got the consumer price increases, that softness in Enterprise Mobile, and I know within my estimate, I thought there might be a bit of a spin-down or negative mix shift as well.

So what I'm really interested, though, is just the exit rate into the second half, just with the full run rate of those price increases as well. And I assume that that Enterprise softness in the second half base will wash out as well. So can you just talk to all those moving parts, please?

Just second question is on BAU capex. It's just a follow-up from Eric's question. I guess with that extra allocation of capex to Mobile over the next four years and no change to that bucket, where is that coming from? And also, you're guiding to \$3.2 to \$3.4 billion BAU capex this year. Should we think about that as sort of being the base for your BAU capex bucket going forward, maybe growing by CPI?

And then just a third question on headcount. It obviously fell by 1,885 in the half. Can you just talk to the drivers of that movement? How much was from the 2,800 reduction that you announced last year? I mean, are there any more that's going to come through in the second half? I think you've already mentioned BAU redundancies will be a bit higher in the second half. And just, was there any sort of growth in other parts of the businesses or from insourcing, things like that, if you could talk about? Thanks.

Vicki Brady: Yeah, no, thanks, Tom, for those questions. So just taking them in order, and I'm sure, Michael, we might tic-tac on a few of these, because I suspect most of them sit with the two of us.

Just in terms of Postpaid mobile ARPU, the first thing I'd say is, Tom, it's absolutely in line with what we anticipated. As you called out, there's three and a half months of the Consumer and Small Business price rises. That is different, obviously, to prior year where there were six months.

And you're absolutely right, on the TE ARPU, we absolutely, as we talked about at full year last year, in that space, you obviously, you have long-term contracts, you have panel contracts, the timing of customers taking up and moving across to some of that pricing, we saw that impact in the second half of last financial year, and you see that flow through.

To be honest, the Enterprise space is incredibly competitive, and not surprisingly, whether it's corporates or government agencies, there is a lot of focus on cost. And we've put in place under Oliver's leadership very strong guardrails around our Enterprise business, and we're in a leading position on our mobile network, and so making sure we deliver value from that leading position is a focus.

In terms of looking forward, look, that space, you will have customers taking up some of those panel deals. We've seen it pass through in this half, and as I said, we continue to really manage the Enterprise business under, importantly, guardrails that we think reflect the position and the leadership we have, particularly in the mobile space.

But Michael, did you want to add anything on those?

Michael Ackland: Well, I'd just say on Enterprise, we saw the big drop from the first half to the second half [in FY24]. We have seen, the work that's been done has – we've seen some stability sequentially on ARPU in Enterprise, which gives us some confidence. But I would reiterate, it's very competitive. It's a very dynamic market, and we are working hard within those commercial guardrails to really get value for our mobile network across the Enterprise segment, and the team are doing a fantastic job.

Vicki Brady: And then on BAU capex, yes, so our focus is reallocating inside our BAU capex, and so where is that coming from? We've been doing a lot of work over multiple years in our IT environment. We obviously announced last year some big changes as well where we consolidated down from about 400 IT software partners to two, so we're driving efficiency in terms of our spend on IT.

We're also nearing the point where we will complete the migration of our consumer customers into our new stack. And so one of the areas where some of that reallocation comes is in our IT spend. But Michael, you might want to jump in and give any more colour as well.

Michael Ackland: Yeah, no, I think you've covered it. We're prioritising, and it's a difficult prioritisation, but that is the way we are leaning into it. We are being disciplined that we're reallocating spend into this space. It's incredibly important, and I think

Vicki hit the areas that will be the focus. But yeah, it's a reprioritisation.

Vicki Brady: And then finally, on FTE, the biggest change that's happened is absolutely in May last year when we announced job impacts, where they have flowed through. I think that's the biggest element driving the change that you can see in the overall numbers.

In terms of second half, it's a dynamic environment, particularly in Oliver's space, and we've committed that we have to manage our business to match the market demands and what's happening. So I would expect, and there is actually a consultation underway, smaller scale at the moment, but inside our Enterprise business, just as we respond to market demands and make sure we've got our cost base and resourcing aligned to where the opportunities are. Anything else on FTE?

Michael Ackland: No, I don't think so.

Vicki Brady: Thank you, thanks, Tom.

Nathan Burley: OK, we'll go to the next question, which is from Roger Samuel from Jefferies. Go ahead, Roger.

Roger Samuel: Yeah. Oh, hi, morning all. I'll stick to three questions as well, and thanks for the disclosure on ROIC as well. Just on that, I understand that you're aiming to grow your ROIC over time. But is there a risk that the ROIC could be flat in the short term, mainly because of the strategic investments in specific fibre assets, which seems to be peaking in FY25 and 26. And also coupled with your \$700 mil, yeah, \$700 mil in your investment in AI, how should we expect the shape of ROIC in the short term?

Second question is on Fixed Enterprise, and I'm just wondering how confident you are that EBITDA has stabilised from this point? Can we be confident that the worst is over now? And if things get worse, can you actually sell the NAS business?

Thirdly, just on nbn, I just want to check if you disclosed your nbn margin in your Fixed C&SB. Thank you.

Vicki Brady: Thanks, Roger, for that. So I might get Michael to come back and do ROIC. Why don't I just talk a little bit about Fixed Enterprise? I'll just make sure I captured all of the elements in that. So when we look at the Fixed Enterprise business, a couple of things to call out. Firstly, the structural declines in our DAC business and in the calling business that fit inside NAS, those structural declines are ongoing. And I would call out in our DAC business, it can move around a little bit half to half, again, driven by customers that might be renewing, changes happening in that customer base. Oliver might want to come back and add a little bit of that.

And then in terms of NAS, our reset of the Enterprise business is ongoing. And we've been very open that our focus is making sure we're absolutely focused on the core of our business, and things sit close to that core where we really have competitive advantage, and we can differentiate for our customers.

As part of that, that does mean a full assessment of all of the elements that sit inside our NAS business. And I think Michael mentioned in his comments this morning, that could involve a range of options, including exit divestments. That work is ongoing, so there's nothing to announce on that. But we continue to work through very open-minded in what's the right way forward there.

In terms of nbn margin, I don't think we disclosed it today, but our nbn resale margin continues to sit sort of in the low double digits. So that's held. But why don't I go to Michael, and then Oliver may want to make a comment on TE Fixed as well.

Michael Ackland: Yeah, well, why don't I comment quickly on ROIC. And ROIC involves growing NOPAT and managing invested capital. So you're calling out all the right points, which is as we invest more, that will impact invested capital. And particularly, if you look at intercity fibre, we're now saying we think the peak investments would be [FY]26 and [FY]27 rather than [FY]25 and [FY]26. But they are long-term investments, and we manage them in an incredibly disciplined way around making sure that we are maximising the IRR on those investments. But they do impact our investor capital, but they also generate earnings.

So I'm not providing any forward guidance on where ROIC would be, but we are focused on ensuring that we are being disciplined on both sides of that equation, the top line and the bottom line of the ROIC fraction, to make sure that we're pulling all those levers and being disciplined that we're getting the returns that we need on every incremental investment.

Vicki Brady: And just as we hand over, Nathan, it might be worth getting Brad to comment on the Fixed business in C&SB as well as Oliver on Enterprise.

Brad Whitcomb: Yeah, happy to pick that up. Good morning, everybody. Yeah, I'd say we had another very strong half for the Fixed business. We saw a significant uplift in ARPU right around 7%. That's a combination of pricing moves that we've made over the last period of time, and also a pleasing shift in mix up into higher speed tiers, which is part of our overall strategy.

We've also made really strong inroads from a cost perspective, and that's primarily around automation. So Vicki mentioned digital migration and how important that is. It yields really strong benefits across the customer journey, the customer experience, but also the cost to serve. We continue to leverage technologies like SmartFix, which enables us to identify issues even before the customer even knows about it and get it fixed. And then that prevents the customer from needing to call us and roll the truck, etc.

So overall quite strong. You would note though that we continue to lose SIOs. It's been about the same rate of decline over the last two halves. And that's a result of what we're seeing as very, very intense competition, price competition at the low end of the market. We've taken a look at that space. We have chosen not to engage in that area, and rather focus on what we think is a unique and very compelling value proposition for the customers that we serve. So we remain absolutely resolute in building a fantastic business, but it's got to be on a foundation of very, very strong financial performance.

Nathan Burley: Ollie.

Oliver

Camplin-Warner: Thanks Nathan, thanks Roger. So I'm pleased with where the reset is, if I look at that. We have faced into the underperformance and definitely taken decisive action. We've covered off some of the areas where we've really doubled down, but on that cost element, we've obviously worked through that at pace.

On the product simplification and exits, so we announced, as Vicki said in our intro, that two thirds exit of products in NAS. And we're working our way through that and we are where we wanted to be. We've brought delivery into the segment as well, and we're driving operational improvements there.

And then to Michael's point earlier, just the commercial guardrails that we now have in place are very strong. We've put in place a new sales incentive plan as well. So there's many things that we've achieved over the last six months or so, but this is a multi-year program. There is still significant work ahead of us, but we are committed to that.

Vicki Brady: And Nathan, sorry, I think I missed one of the questions, or one of the points that Roger raised. Roger mentioned our joint venture with Accenture, and that seven-year deal and the \$700 million. I did just want to clarify on that deal. So that is currently in this year's spend we are already making, and it does split across opex and capex. So just as we think about that, it's not incremental versus the run rates of spend that we have currently. So sorry, Roger, we should have picked that up. Thanks, Nathan.

Nathan Burley: Our next question will be from Kane Hannan from Goldman Sachs.

Kane Hannan: Morning, guys. Three as well. Just maybe the mobile subscriber environment. Just obviously a few things happening in the market from your competitors early this year. Just interested if you could characterise how you're seeing competition currently, whether you want to call out what the impact of the 3G shutdown was on your sub-base, whether there's any comments you can make around how January and February subscribers have been tracking with that competitive backdrop at the moment?

Vicki Brady: Do you want to give us the three, Kane?

Kane Hannan: Sorry, Vicki. Just on the uses of excess free cashflow, appreciate some of the comments and discussion before. I suppose there's been some debate about whether you'd look to spend on other major infra projects, subsea cables, etc. So just wondering if there's anything we can read into the buy-back announcement today that suggests there aren't really any compelling infrastructure opportunities out there today outside of where you've already identified?

And then lastly, Michael, the comment you made in the presentation around further productivity gains into the medium term. I appreciate some of the comments you made before as well. But just interested how you'd frame that opportunity. I mean, are we thinking about sort of step changes, major opportunities through AI, or is it more about ongoing improvements that let you offset inflation going forward? Cheers.

Vicki Brady: Yeah, thanks, Kane. Thanks for giving us all three. What I'll do is I'll get Brad in a minute to come to the mobile question around subs. Just on mobile, because you mentioned the 3G shutdown, as we would expect, as you do shut down one generation of mobile, we did have services, some services disconnect at shutdown. That was in the order of 190,000 services, and around 30,000 of those services sat in Postpaid handheld, as you can imagine. Quite a lot of that sat in our IOT numbers. So just to give you some insight into how big that was.

Frankly, my expectation as we headed into the closure of the 3G network, we were likely expecting that to be a little bit higher. I think the work we did, we extended the closure date a couple of times, and ourselves and Optus funded a public campaign. Actually, the numbers as we got to closure of the network as we look back at prior closures was relatively low, but absolutely those services did come out of our numbers in the half.

Just on free cashflow, I'll come to Michael on that. I think he's best to answer that.

On productivity gains, in terms of productivity gains, look, as we look forward, technology, including AI, has to play a big part in how we continue to be more efficient and more effective in how we deliver for customers. I've talked about a number of times, we've got to run the business on a sustainable basis. Because the demand that is happening, our mobile network, for example, over the last five years has had data volumes triple. And as you can see, we're investing more into new technologies and ensuring we're right at the leading edge.

So undoubtedly technology, including AI, has to be part of an ongoing drive. I think every business you speak to, certainly all the business leaders I engage with, you've got to be constantly looking for efficiency and that will be consistent for us.

I also think in terms of AI, there is a big shift in skills and capabilities. So one of our focus with our teams is making sure – we can't predict the future. What we can predict though, I think with confidence, is that all jobs are going to change. And so equipping our people through our Data and AI Academy, through rolling out Copilot licences at scale, and with our Accenture joint venture, being able to tap into their learning capabilities for the entire Telstra team, I think are good investments to support our teams around skills and capabilities.

Why don't I go to Michael on free cashflow, and then we'll go across to Brad and just talk about the mobile sub-environment.

Michael Ackland: Yeah, thanks, thanks Kane. No, I would not read into our decision around a buy-back that that implies any lack of confidence, or any change in our opinion that we think the digital infrastructure opportunity is significant and it's long. So we're absolutely focused on delivering ICF, and delivering that within the \$1.6 billion, and delivering that with the returns that we've talked about in terms of mid-teens IRRs.

We've made the decision on the buy-back because it is consistent with our capital management structure, because we have the balance sheet strength to do that. And

frankly, we think we're a great buy.

Nathan Burley: Brad, do you want to pick up the Mobile?

Brad Whitcomb: Yeah, I'd love to. Thanks for the question, Kane. Yeah, where would I start? I would say first there was an earlier question that was suggesting a bit of a slowdown in the market. If I look at Postpaid for a consumer, and you look half over half over half, actually we've had one of the strongest halves from a SIO gain perspective, and that SIO gain perspective we haven't had in a long time. And that's a combination of main brand and our multi-brand. So we continue to perform quite well in that space, and I think that's a testament to, right from the propositions that we put up and, in particular, the frontline team that we've got, it's performed exceptionally well.

From a Prepaid perspective, we have seen that overall market and that's driven by immigrants, be a bit smaller than we had anticipated. But we're competing quite strongly in that market as well and are pleased with our results there.

You mentioned increasing competitive intensity; I think it's always intense. Black Friday, we had probably our strongest Black Friday ever; very, very strong on our Christmas campaign as well, and hopefully you all enjoyed the donkey. More recently, we have seen the TPG going to market now with the bigger coverage as a result of the MOCN deal. Obviously, this deal was no secret, so we're well aware of it; we had prepared for it in advance. The timing, however, we weren't sure when it was going to come out. Incredibly pleased with how quickly we were able to get our frontline teams rallied around key messaging which was basically pointing out we've got, we've had this competition, we've had competition in these exact areas. We still have a three-to-one coverage advantage over TPG, Vodafone as an example.

And then our incredible store network sitting across all of Australia, 270 stores, brilliant teams there to be able to deliver service and sales to our customers. You might ask, "How brilliant?" We're sitting at a plus-66 NPS. So quite strong from a competitive perspective.

We do, of course, track what the net impact is in terms of ports, vis a vis our competitors. We saw a little bit of minor impact over the two or three weeks, but in the big scheme of movement, we remain a net port winner by a fairly large margin against our direct competitors. So quite pleased.

The other thing I would point out on this: a lot of this performance is due to what we've seen as an improved brand position in the market. And hopefully you wouldn't be surprised by that, but our brand was most recently rated the fourth strongest telco brand in the world by Brand Finance. And we're quite proud of that; I would say watch this space, we're doing some remarkable things there.

Nathan Burley: Excellent. Thank you very much, Brad. Our next question is from Nicole Penny from Rimor. Go ahead.

Nicole Penny: Good morning, thank you for taking my question. If we could refocus on the global AI JV with Accenture, please. And if you could elaborate slightly what changes Telstra customers would see, tangible changes really, in the next three to

five years, and really explain in what CEOs and CFOs could visualise. And in your minds, why did Accenture choose Telstra as a partner? And lastly, given the global scope, will Telstra offer these services to corporates worldwide, or focus on Australian companies operating abroad? Thank you very much.

Vicki Brady:

Thanks, Nicole, for that. Let me pick this one up and then see if anyone else wants to jump in. But just in terms of our JV with Accenture, what was clear to us, we have a roadmap of changes and delivery that we want in our data and AI space. And we saw the opportunity through this joint venture to really accelerate that. So it takes our teams across Australia and India that are part of our data and AI teams and puts them into the joint venture. It supplements them, then, with Accenture's global capabilities when it comes to AI and leverages the \$3 billion of investment that they've put into AI.

We want to be absolutely a leader in how we apply AI inside our business. Now that is to deliver absolutely benefit for our customers; it's to deliver benefits in the way our network performs, and it's to deliver overall benefits to the business.

So, in terms of some of the tangible changes, perhaps if I give you a flavour of some of the things that are already happening that have the ability to scale. Firstly, a good example is for our frontline team. We have an AI application available called Ask Telstra, so if you're in-store, you're in our call centres, and you're having to deal with customers, we have about, more than 2,000 knowledge articles they have to navigate. Now, that is in a generative AI application that allows our teams to ask it simple questions and get complete answers to that in a much more efficient and seamless way.

We've also implemented proactively leveraging our smart modem that we have in the home for our fixed broadband customers. It's called SmartFix, so it works with the modem, it works with the intelligence on our network, to be able to take a whole lot of information, billions of pieces of information and proactively take actions in the background. Those actions, there was about a million actions taken over the last year; that resulted in 650,000 less calls by customers. So the aim of this is about absolutely reducing effort for our customers, to be able to predict, to be able to act before a customer has to take action. And so a lot ahead of us in there and a really exciting partnership with Accenture.

In terms of why Accenture chose us, it's probably a good question for Accenture. But if I had to give my perspective from engaging with Julie Sweet and the team, we've had partnership with Accenture over more than 20 years. We've worked closely on a lot of things together. In a number of our partnerships with global players, and I would call out Ericsson as a good example, again, we've had a partnership with them for more than 20 years. Certainly, they see us as a telco that is prepared to be innovative, to lead, to want to be at the forefront of technology. And as I engaged with Julie and the team and her thoughts where she's taking Accenture as we talked about our ambition for Telstra, it felt like a great fit. And as I said, we've got a track record of working with each other together.

In terms of offering the capabilities to our corporate and enterprise customers, look, the Accenture joint venture is very much focused on our capabilities, our data and AI, how we apply that into our business. We do have another joint venture, the Quantum/Telstra joint venture, and that plays a big role in, not just

inside our business, but how we work with our enterprise customers. So a good example, with CBA, we've got Scam Indicator and we've extended that to the Fraud Indicator. Sitting in the background, powering that, is our Quantum/Telstra joint venture. So it's a good example of where we're working, bringing together our capabilities with our enterprise customers and putting a product together with Quantum/Telstra to take that to our enterprise customers. So hopefully, Nicole, that addresses the three areas on the joint venture and AI.

Nathan Burley: Thank you. Our next question is from Brian Han from Morningstar.

Brian Han: Oh, thanks. I have two questions. One is, Vicki, you spoke at length about how important Telstra's digital infrastructure is to Australia's future and how 16 million Australians get Telstra dividends. I'm just wondering, is there anything brewing on the regulatory or political horizon that's worrying you guys?

And my second question is, Michael, on those \$370 million EBITDA coming from the International division in the first half, did you know what the free cash conversion of that EBITDA is? Thanks.

Vicki Brady: Thanks, Brian, for that. Why don't I – I'll talk about your first question, and I'm going to get Brendon to jump in, as well, and just talk about more broadly how we're seeing demand for digital infrastructure. And then Michael can take the second question.

And so, look, one of the things, I think, Brian, for Telstra and for the telco industry more broadly, as I look at the challenges and opportunities ahead for Australia, it is really clear to me that connectivity is going to be absolutely critical. I'm not sure it's always seen that way by people that are outside the telecommunications sector. And so, I just think as we think about, as a country, how do we make sure we deliver on the productivity ambition so we can be as competitive as possible as a country and grow living standards.

It's not always obvious to people that all of this amazing technology needs to be connected. Obviously, things like data centres are a big focus, they're not islands, they need connectivity. And so, from my point of view, it is just making sure that the contribution, the importance of what we're doing and ensuring we've got an environment that really encourages investment and innovation in this space.

Because it is a key foundation, it's very hard to reap all of the benefits that are there, potentially, in these new technologies without having that foundation really, really well understood. And ensuring there is an environment where people want to keep investing, making sure we're a leader and can enable great outcomes for the country. That's the reason why I speak to it.

Brendon, do you want to jump in, just, I mean, to give a sense on demand for digital infrastructure and what you're seeing?

Brendon Riley: Yeah, thanks, Vicki. And thanks very much for the question, Brian. Yeah, look, I mean, on intercity fibre, we've got big goals. Obviously, one is we are building the infrastructure for the AI era and for everyone that's going to consume it. And there's been big shifts in the tech, not only in fibre, but all of the active equipment and the solutions that we need to be ready to deploy for hyperscalers and other big

users. So that's obviously a big goal.

Also, the way we've designed intercity fibre, we have our pink and our blue. The blue fibre is designed with access points along the way; we've been engaging intensely with state governments, with local governments, on the possibility of the country leveraging that infrastructure more and more. And then there's what Michael's spoken to, the disciplines that we bring in order to generate infrastructure like returns from the investment. So that's on the intercity fibre.

We've got a huge amount happening in satellite. So we're the biggest provider of satellite ground stations in Australia. We work with all the major satellite providers. That requires fibre, that requires sites, it requires services to stand them up and help maintain them. There's been some articles written about data centre, and we do have some great data centre assets. Importantly, we have a fantastic set of edge sites right across Australia with a large, huge amount of megawatt capacity available for those edge sites. And we're seeing increased interest in that. So, yeah, we've got some amazing assets, big plans, and we're just seeing continued interest and demand coming through, as you can see from our results. I'll go back to you, Vicki.

Vicki Brady: Thanks for that. And Michael did you want to take the second question?

Michael Ackland: Yeah, sure. So in terms of the cashflow translation of International, I mean, we don't break that down. But what, I'd sort of point you to a couple of things to think through, and there's two very different businesses there. So one is on our Wholesale & Enterprise business with International, it translates through to cashflow in similar ways to our other Wholesale and Infrastructure businesses. So you think through, there's a little bit of a lumpy capex, and there's also the impact of IRUs which get recognised as revenue over time. So that one is similar to the rest of the business in that sense.

And then, on the Digicel [Pacific] side, it's just important to note that we do have the non-recourse debt on the Digicel [Pacific] side which is disclosed. It's more highly leveraged on that basis than the rest of the company, so that translation will be a little bit lower due to the finance costs. Thanks, Brian.

Nathan Burley: Thanks. We'll take one more question from investors and analysts and then we will go to media. So, I invite all the media on the call if they are keen to register a question, press *1. So, our last question from investors and analysts is from Andrew Gillies from Macquarie.

Andrew Gillies: Thanks very much for the opportunity, guys. Just sort of a bigger picture question first. Australian household telco spends have been relatively stable at 3%; are there any things you can point to in AI that might potentially open up a new customer or a new opportunity?

And then the second one around the broader popularity of MVNOs and the performance there; how does that change the way, if at all, that you think about realising the value provided by the network? And then, as an extension, can you maybe outline the strategic rationale for the Boost acquisition and stepping in to purchase that? Thanks.

Vicki Brady: Thanks, Andrew, for that. So why don't I jump in first, and then Michael and Brad might want to comment as well. Just on, yeah, you call out a good point on your first question, that's right. I mean, household telco spend as a percentage of household spend, I think actually might have – my stats I've looked at may have come down a little bit. But at best, it's probably stayed at about 3%.

Just as I look forward, and I spoke today about the investment into our mobile network, particularly into 5G advanced capabilities, part of what we're seeing happening is networks are becoming much more software defined. They're becoming much more sophisticated in the capabilities that we will be able to expose and provide. And so, look, I mean, I think there will be multiple paths as we look forward. Fundamentally, just core connectivity itself is just so fundamental. And it only increases in importance. And the quality, reliability, security of that, I think, again, only continues to increase.

But as we look forward, as we look at those more sophisticated features, I think one of the opportunities for us as Telstra and for the telco industry globally, certainly in all the discussions I'm in with peers around the world is, as we build and expose those more sophisticated capabilities, how do we think about the commercial models? That we don't just build them and provide them; that we build them, the value is understood, and we shift the commercial models to ensure that we take some share in that value creation as well. But, as I said, core connectivity, I think demand for that and the quality of it, the sophistication of it is only going to continue to increase.

On the MVNO side, we've had our multi-brand strategy in place now for a number of years. It's been a core part of how we think about customer needs and different segments in the market. We have our Telstra brand, we have our own sub-brands, and then we have a Wholesale business where those partners make their choices and decisions about the segments of the market, leveraging their strengths, either their distribution or their customer bases.

So, look, the MVNO business sits inside our portfolio. our multi-brand strategy, I believe, has served us very well as we've competed in market to make sure that we can address various needs of the market. We understand not every customer in the market will want the Telstra brand. There are different choices and options and our multi-brand strategy remains important to that.

So why don't I go, Michael, just see if you want to comment any further on the MVNO side, and then maybe to Brad, or if you want to talk a little bit, too, about Boost?

Michael Ackland: No, nothing more on the MVNO, and I'll let Brad talk to the strategic rationale of Boost. I mean, I think, initially the logic for Boost is that it's a strong value adding acquisition for us from a financial perspective. So it was a relatively easy decision to make from that point of view, and I think it's going to be important strategically for us, as well. So maybe let Brad talk to that.

Brad Whitcomb: Yeah, it's nice when it comes together, so thanks Michael. With the financial side, I think, it was a strong case, but more importantly, I think, strategically, as Vicki said, we've had quite a successful history with multi-brand. And you could even

see in the results for this period where we've got the net acquisitions in Belong on the post-paid side. And also, a significant increase in ARPU there, just a little bit under 11% which is quite extraordinary.

Boost is a fantastic brand. We did have a long-term contract with Boost, but to me, there's nothing like having it actually in your stable of brands. They've got a brilliant team. We're leaving that team exactly intact as it is because it's a bit edgier, it's a different way for us to approach customers. But it was just too good to let go, and when we had the opportunity to bring it in, there's a lot we can learn from them. I think there's a bit they can learn from us as well, and we're just super, super pumped to have them here.

Nathan Burley: Excellent. Good note to finish on. We thank the investors and analysts for their interest on the call. We'll take a short break, after which we will start the media Q&A.

[Music playing 01:19:30 – 1:21:28]

Media Q&A

Steve Carey: Welcome back to our media Q&A for Telstra's Half Year Results for 2025. My name's Steve Carey, and I'm the General Manager of Media here at Telstra. I'd like to welcome the media who are joining us on the call today. In this session, we've got CEO Vicki Brady, and CFO Michael Ackland, who will be available to address your questions. Our first caller on the line is Jared Lynch from The Australian, please go ahead.

Jared Lynch: Thanks, Steve. Hi, Vicki, there's been a lot of talk about value for shareholders. What is Telstra planning to do to help ease the cost of living for its customers, particularly after last year's price rises which went above the inflation rate? And I've also got another question after you answer that one.

Vicki Brady: Thanks, Jared. So, first off, just in terms of customers and feeling the pressure of cost of living, we are very, very conscious of that. So a few things: it is very much in the forefront of our mind. First thing I'd call out is our plans: we took away contracts several years ago, so our customers can adjust to suit their needs and change plans without any cost or fees. So that's been an important shift.

The second thing I'd say is we have a range of products under the Telstra brand, plus we have a range of brands, things like our Belong business plays an important role. And then we also have, obviously, an MVNO business where customers can choose the Telstra network under a different brand altogether. So we're very conscious of it.

The other thing we're very focused on is, for those customers who are in vulnerable circumstances, we work very hard to help support them. That includes [focusing on] keeping a million customers connected who are in those vulnerable circumstances, through a range of things from plans that are available for those that are on pension cards, various other support there available. And also support when customers are having trouble paying their bills to be able to extend payment times. So it's very much front-of-mind for us.

We also, though, need to get the balance right, because one thing we know for sure is being connected is critical for our customers, and they keep demanding better and better connectivity. In the last five years, we've had data on our mobile network more than triple. And rightly so, customers expect a high level of service, a high level of network experience. And that's why, in today's announcements, we've also announced an additional \$800 million over the next four years going into our mobile network to ensure our 5G is the most advanced, the most resilient, and the most reliable 5G network here in the country.

Jared Lynch: Thanks. And also, should over-the-top operators such as Meta and Google help fund the RBS and universal access, particularly, as you said last year that Telstra's Enterprise business was facing competition from the big tech companies?

Vicki Brady: Thanks, Jared. Just on USO and universal access, one of the things we've been very consistent, and I know has been on the government's agenda as well, is looking at universal service reform. One thing I would say is the universal service obligations, particularly on the voice side, they are old, they don't reflect the new technologies that are available today. So, for example, copper obligations, when we know today there are better technologies that can deliver outcomes for customers. So we've been very much of the view that there is an opportunity to reform universal service obligations.

I think when it comes to digital platforms, how we work cross-sector, I think the work that's happening around scams and the scams legislation, bringing banks, telcos, digital platforms together, I think that's important. We've got to be able to work cross-sector to get the right outcomes for Australians.

Steve Carey: Thanks Vicki, and thanks Jared for those questions. Our next questions come from David Swan from Nine Metro Publishing/The Age and the SMH. Go ahead David.

David Swan: Thanks very much. Thanks as always for the time guys, and congrats on the numbers today. Three quick ones from me if you'll indulge me. Firstly, I wanted to ask about competition a little bit after the TPG and Optus MOCN. Would you say that Telstra definitively still has the best network for rural and regional Australians? Or is that a bit more of an open question now after that deal?

I wanted to ask, secondly – I'll throw to all three of you if that's easiest – about the Accenture deal that we've spoken a little bit about. I know at the time you said you'd consult with staff over the proposals. Have you completed that consultation with staff? And what would you say broadly will be the likely impact of that deal on staff?

And thirdly, just a bit of a broader question about AI. Much has been made about ChatGPT and Google and Microsoft's efforts as well as DeepSeek and Chinese efforts. Does Australia need to do more to be relevant here, and what do we need to be doing as a country to make sure that we're using Australian AI technologies rather than that from overseas?

Vicki Brady: Thanks David. Good range of questions there. So firstly, just in terms of where we stand competitively on our mobile network, the very clear answer is we absolutely have the biggest and the best network serving Australia. Just to put in perspective, we have expanded the coverage of our mobile network. Our 4G

network now covers three million square kilometres, 99.7% of the population. Relative to Optus, we have more than double their coverage. And relative to TPG/Vodafone now with their access under their MOCN deal with Optus, we have more than three times their coverage.

So absolutely our network reaches far more places and it's a core part of what we focus on, making sure core to our purpose is building a connected future so everyone can thrive. And so that mobile network absolutely reaches a lot further, plays a critical role we know in regional Australia, and very much a focus as we continue to invest and further extend and improve the experience on that mobile network.

Just in terms of the Accenture deal, we're in the final stages of consultation right now. It's not complete, but it is getting very close to being complete. It's been tracking well. We've had our teams highly engaged in the process wanting to make sure they understood it really well, what the opportunity is. There's a lot of excitement. We've had a lot of our people already electing in to be part of the joint venture. They have a choice. So they can join the joint venture, or they can choose to leave us.

And look, it's been progressing well, as I said, not quite complete, but right now I'm expecting we will have a good outcome in terms of that joint venture. As I said, a great opportunity for our people tapping into those global capabilities from Accenture, combined with our capabilities and applying those here into our business. So I think a really exciting opportunity and consultation still underway but almost complete.

Just in terms of AI, in terms of Australia, yes, and what we need to be doing. So I think for Australia, there's a real opportunity here in how we apply AI as a country, really embracing it. Because I think it's going to be critical for our competitiveness as a nation. There is a big race underway, obviously huge investments going in. I don't think Australia needs to be investing in things like building large language models. I do think that's a global game. But I think Australia needs to be really brilliant at how we apply AI in our environment, and that means we've got to have all the foundations there to enable that. And that does include digital infrastructure.

So having an environment that really encourages investment and innovation and the ability to be able to apply AI to get the benefits for Australia. And so from our point of view that digital infrastructure, obviously a key focus and having a good environment to encourage investment and innovation, I think incredibly important.

Steve Carey: Thanks, Dave, for those questions. Our next caller is Jenny Wiggins from the AFR. Go ahead Jenny.

Jenny Wiggins: Good morning, all. I also had three questions. Vicki, you mentioned earlier that there were delays and cost pressures in the rollout of the intercity [fibre] network. Can you explain exactly what they are, and does that mean it will be delivered more slowly than you expected? Because I think you said you wanted to be careful and not actually go beyond that \$1.6 billion investment.

Secondly, with regard to the \$800 million new investment in mobile networks, is that a direct response to the new Optus/TPG deal on regional networks? You certainly seem to be emphasising that you really want to stay at the forefront of, I guess, being the first choice for mobile plans for many Australians.

And thirdly, with regard to AI, you also said that all jobs are going to change. Can you tell me how you expect your job and the jobs of other executives on your team to change as a result of AI? Many thanks.

Vicki Brady:

What a great range of questions. Thanks, Jenny, for that. Let me take them one by one. So just on intercity fibre, yes, I did reference today we've got momentum. However, we are also balancing some delays and cost pressures. Just to give you a little bit of colour, what does that look like? It is things; for example, land access, working through the various processes across the country, because we are rolling out fibre right across Australia. That is, in many instances, quite complex and takes a fair bit of time to work through. So that is one example.

We announced actually the intercity fibre build and project back in February 2022. So as you can imagine over that time a lot of things have changed. Inflation has run higher, FX impacts. So there's a few things like that that we are balancing. What we're absolutely committed to doing, as you mentioned, is managing this project inside the \$1.6 billion envelope. And that means we're absolutely prioritising where we roll out to match customer demand and to match returns.

Since announcing it back in February 2022, I mean part of the benefit has been that engagement with customers, with potential customers, and really working out where demand is the strongest, so we can match up how we roll out to meet that demand in the best possible way. But overall it is a 30-year asset we are building, and we remain very confident in the demand for that infrastructure. And as I said to one of the earlier questions, this is key digital infrastructure to help enable the country to be able to leverage technologies like AI.

Just on the \$800 million investment that we announced. So this is an additional \$800 million over the next four years into our mobile network. The first thing I'd say is we already have by far the biggest network in the country. So we now have expanded our coverage already to three million square kilometres, 99.7% of the population. What this \$800 million is about, we've also been a real leader amongst the first few in the globe deploying new technology mobile to be at its absolute best to support Australia and our customers. And so this spend is about investing in the hardware and the software to make sure our 5G network is the most advanced, the most resilient network it can possibly be, and a real leader in the Australian context. That's what that investment is about.

In terms of AI changing all jobs, absolutely. I'm having to change, adapt. My team is having to change, adapt. Some simple examples, even preparing for today, as I did that across the weekend. Again, AI is an amazing tool to help. What sort of questions might I get asked? It didn't ask me this one Jenny, so I might need to train it a little bit more. But getting it to help me with things like that as I'm preparing to put together a speech, using it to brainstorm with in our leadership meetings with my team, how we use it to help capture actions and follow up, how we use it to help summarise and digest information quickly.

It has so many applications, and I'd have to say, yes, we are all leaning into it right across Telstra, from me, all the way through the organisation. And the more I use it, the more skilled I get at it. I think the potential just only grows as I think about its capability and what it can do.

Steve Carey: Thanks Jenny. Good questions and thank you, Vicki. If media have just joined the Confluent call, you can register your questions by pressing *1. If you need to cancel a question, press *2. Our next question comes from Grahame Lynch from CommsDay. Go ahead Grahame.

Grahame Lynch: Thank you, Steve, and good morning, Vicki and Michael. My question is regarding the 5G investment. There's a general consensus across global telco is that the investments to date in 5G haven't necessarily earned commensurate returns on the top and bottom line. And I see in the press material today around this that there's a big focus on the word 'monetisation,' which really jumps out at me. So what will make this investment different in terms of payoff, particularly for, as I say, the Telstra top line and bottom line?

Vicki Brady: Yes, thanks Grahame, for that. And I know you know the industry so well. So just firstly on 5G investment, I know there's a lot of talk about it globally. If I can just put in perspective for us as we looked at our 5G case to invest, the really big driver of it was to be able to meet the sort of demand for data that we knew and could see coming. To do that as efficiently as possible, 5G was essential. So if we hadn't had 5G, the amount of capex and opex we would have had to deploy to try and deliver on that demand with our 4G network would have been vastly different. So there was already a case for 5G, just in terms of being able to efficiently meet the demand. And obviously though in terms of then further revenue being generated, I know there's lots of commentary around the world that it hasn't yet done that.

As I look at this investment, and at the heart of this investment we are investing in both hardware – so it is Ericsson's latest Radio Access Network equipment, that is O-RAN compliant, alongside software that is the full suite of 5G advanced capability that leads us down the path further of self-healing and autonomous networks.

I talked a little bit earlier in the session today that I think one of the shifts that we need to make as an industry, and as Telstra we're thinking deeply about, is as we build much more sophisticated capabilities on our network, what are the commercial models so that as we expose that capability, we are not just packaging it up and including it, but we are making sure as value is created, we are shifting our commercial model to be able to achieve further value creation for our business. And so I see this investment, it's an important enabler as our network moves to be much more software defined, as we move to a world in an Open RAN environment where you can open up the ecosystem to more third-party innovation. So look, that's how I've been thinking about it Grahame, so hopefully that gives you my perspectives.

Grahame Lynch: Thank you.

Steve Carey: Thanks, Grahame, for those questions. Our next caller with questions is Christine Chen from Reuters. Christine, please go ahead.

Christine Chen: Thank you and good morning, everyone. Just wanted to ask about your deal with Starlink for texting in rural areas. Do you think this deal poses any risks in terms of being reliant on Elon Musk, given his past disputes with governments and regulators, including the Australian government? And if so, have you put any guardrails in place to ensure service delivery?

Vicki Brady: Thanks, Christine, for that. So first thing I'd say is the LEO satellite space is a very exciting space. The level of innovation and what's happening there, I don't think anyone predicted 10 years ago. So it's quite extraordinary to see. We actually have relationships and are working with a number of LEO satellite providers. So as an example, we use OneWeb for backhaul on our mobile site, so that's connecting some of our remote sites back into our core network. We have a relationship with Starlink that started last year as we launched our home satellite internet service. And then yes, in January we announced an extension to go into direct to handset outdoor text messaging.

I think the thing for me is, what we focus on in these relationships is, how do we partner, how do we invest to make sure we bring Australians the most innovative technology to be able to meet their needs? And what's exciting, what Starlink is doing, and they're absolutely a leader in this space in terms of launching direct-to-handset. So we have a great partnership with them. We work across their team to make sure we can bring these technologies to market as soon as they're ready to go.

And so look, it's a great partnership with Starlink. They're a good team to work with. We've seen that in our home satellite broadband product, and we're in testing now on direct to handset, and looking forward to bringing that to market in the coming month.

Steve Carey: Thanks Christine. Our final question today comes from Sasha Karen from ARN. Sasha, go ahead with your questions please.

Sasha Karen: Cheers. Good morning, everyone. Look, I had two questions here. First, in regards to the NAS business on restructuring and product lines changing, how's that been achieved? Is there still more work to do there? And I also wanted to ask, it's been mentioned previously today about the joint venture with CommBank as part of Quantum/Telstra with the Fraud Indicator solution being made available to partners shortly. Are you able to elaborate on this element further how Fraud Indicator will be made available to partners and in what form?

Vicki Brady: Thanks. Thanks, Sasha for that. So firstly on our NAS business, so this is our Network Application & Services business inside Telstra Enterprise. We spoke about last year going through a reset of our Enterprise business, that is progressing well. A key element of that is a simplification of our NAS product portfolio. So over several years we're looking to reduce that portfolio by around two thirds. That's because it's become evident where we are at our best is our core connectivity, and those services that sit very close to our core connectivity. So that work is ongoing.

That has included making sure we've got our resources well lined up to be able to deliver to those products and services, that has had some impacts through the changes we announced last year. We absolutely have more work to do, and we are

still progressing that reset work for our network applications and services business. But Oliver and the team have made good initial progress on that.

In terms of the work we've been doing with CBA, so with the Quantum/Telstra joint venture. Telstra and CBA have come together to work on ways that we can help keep our joint customers more safe, and that's been through our Scam Indicator, and more recently we've extended that to our Fraud Indicator. So this has been a great collaboration. We are working to see how we can expand that to more players in the telco industry and to more banks, because we know it's a team sport. At the end of the day, keeping Australians safe requires cross-sector work, and so that work is ongoing with Quantum/Telstra leading those discussions and working cross-sector to see how we might be able to expand that further.

Steve Carey: Thanks Sasha. We do have one more caller who has joined us. Alex Zaharov-Reutt from TechAdvice.Life. Alex, go ahead with your question please.

Alex

Zaharov-Reutt: Thank you very much. Yes, I thought I was going to miss out, so I'm very glad that you've added me at the end here. Will Telstra upgrade its capped data speeds after using all your mobile allocation to at least two megabits per second to match Vodafone? I did ask previous CEO Andy Penn about this at a briefing in the CES in Las Vegas a few years ago, but I heard nothing back.

Secondly, with Telstra having switched on its 5G network in 2018, alongside its 5G Innovation Centre on the Gold Coast, do you think history will repeat itself with a 2028 start date for an initial 6G rollout? And what testing is already underway at the Innovation Centre on this next-gen network that is expected to power connectivity in the 2030s? Will you expand your 5G home network in more areas or more availability in existing suburbs? And will you upgrade at some point to a third-gen 5G home modem with the newer and faster 5G advanced tech if the second generation modems aren't already capable?

And finally, will Boost and other MVNOs ever get access to eSIM activation in smartwatches, which at the moment globally it appears to be relegated to the top tier carriers? Thank you.

Vicki Brady: Wow, there's quite a lot of questions there. Thanks, Alex, for that. You've covered a lot off very quickly. Just on the capped data speeds, would you – I don't know if you're still online or not.

Alex

Zaharov-Reutt: Yes, I'm still here. Yes, I'm still here.

Vicki Brady: I was just curious to understand that question a bit better.

Alex

Zaharov-Reutt: Sorry. Yes, when you go over your limit 10, 20, 30 gigabytes per month, you're slowed down to 1.5-megabit capped speeds. Now Vodafone up that to two megabits, and they even had faster speeds; they got rid of the faster speeds quickly because people were abusing it. And look, it's just five kilobits per second extra, but I guess it helps those people who are on low incomes that have gone over their limits.

Vicki Brady: Yes. No, thank you. Got it. I understand your question now. Look, obviously the Consumer teams are always working on the proposition, what are the things that matter most to customers? How does it all come together in the best value proposition that can meet their needs? I won't pre-empt them on what they've got coming in the future, but look, we look at that overall bundle of benefits that we provide. Obviously, our mobile network is by far the leading network in the country, so that's a core part of our proposition. So I won't delve into what we might and might not do on those capped speeds going forward.

Just in terms of 5G, you're right, whether it's 3G, 4G, 5G, Telstra has been right at the forefront of bringing new mobile technology to Australia. It goes to the heart of our leadership position and wanting to make sure Australians get access as early as possible and be amongst the first countries in the globe getting that.

Look, 6G, it's good timing to ask that; the week after next it's Mobile World Congress over in Barcelona where the mobile industry comes together, and I expect there will be a lot of conversations about 6G. That sort of timing, 2028, 2029, that's certainly what I understand, although I'm sure coming out of that Congress we'll get more information and hear a lot more from vendors and the industry. But like we've done 3G, 4G, 5G, I would see Telstra looking to be at the forefront when that technology is ready and when it is able to bring benefits to our customers. Of course we'd be looking to be early in that.

Just in terms of our 5G home network and our fixed wireless proposition, expanding that to be very clear how we think about that. Obviously, our mobile network is incredibly important to our big mobile base of customers. So we think about it where we have opportunity, where there is capacity available, where we can use it effectively for fixed wireless access. We are very pleased with the growth in that, but it is not an open everything up. We want to make sure that experience for our mobile users, we maintain that, and so we are selective. And if you go in-store or online, you will see that when you do that check. But the business is doing well and pleased with the growth in that business.

On the smart modem, will it go to 5G? Again, that's all part of our proposition for our customers. I won't pre-empt Brad and the team on what they're thinking there. And then on Boost and terms of eSIMs for MVNOs and smartwatches, it's a really great question. I think it's definitely in the product roadmap. I'm just not sure of the timing, so I'd expect it sometime we will see that. But Alex, thanks for that. Good list of questions.

Steve Carey: Thank you, Alex. And thank you to all the media who joined us today to ask their questions. We really value you investing the time in our Half Year Results. With that, that now wraps and closes our Half Year Results for this year. Thank you all again for joining us and we'll see you at Full Year's.

[End of recorded material at 01:48:39]