21 May 2024

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

Office of the Company Secretary
Level 41, 242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

ELECTRONIC LODGEMENT

– Telstra Group Limited (ACN 650 620 303) – ASX: TLS
– Telstra Corporation Limited (ACN 051 775 556) - ASX: TL1

Telstra announces organisational changes and action on cost; Provides early FY25 guidance and reaffirms FY24 guidance - 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 briefing today in relation to today's earlier announcement. The transcript is also provided for the information of Telstra Corporation Limited noteholders.

Release of announcement authorised by:

Sue Laver
Company Secretary

Telstra Market Update, 21 May 2024 – Transcript

Presentation from Vicki Brady

Vicki Brady: Good morning. Welcome and thank you for joining our call on today's ASX announcement. I'm joining today from the lands of the Gadigal people. 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 people have to land, waters and culture. We pay our respects to Elders past and present.

This morning I will make some brief comments on today's announcement, and then open to questions from analysts and investors. Michael Ackland, our CFO, and Nathan Burley, Head of Investor Relations, are also on the call.

Turning to today's announcement. Today, we announced measures to begin the reset of our Enterprise business, simplify our operations, and improve productivity. As part of today's announcement, we reaffirmed FY24 guidance, provided early FY25 underlying EBITDA guidance, and said that we would be updating customer terms for our postpaid mobile plans to remove the CPI linked annual price review.

The measures announced today are difficult, but they are necessary. We need to be a more efficient and sustainable business to ensure we can continue to make the investments needed to support the ever increasing growth in data volumes on our networks, and deliver improved connectivity for customers across the country. Ongoing investment in infrastructure, technology, innovation and service for our customers, drives growth and underpins Australia's digital economy, contributing to the prosperity of the nation.

This is occurring within a dynamic environment, with an evolving competitive landscape, rapid advances in technology, changing customer needs, and the ongoing inflationary pressures all businesses are facing. Let me now step through the four components of today's announcement.

Starting with our reset of Telstra Enterprise and the product simplification. At our half year results in February, we announced a detailed review of Telstra Enterprise, covering all elements of its domestic business. A number of actions have been identified to begin the reset of Telstra Enterprise. These will sharpen its focus on areas where it has the strongest differentiation, further improve delivery for customers, and improve the cost base of the business.

These include a streamlined product portfolio; reducing the number of NAS products in market by close to two thirds; a simplified customer sales and service model to better support customers; and a reduction in the cost base of the Telstra Purple tech services business, particularly NAS products aligned with revenue and changing market dynamics.

Our review of Telstra Enterprise is ongoing, and the challenging market conditions we are facing remain the same. A further update on next steps, including progress on the actions above, will be provided at our full year results in August.

Let me now turn to how we are simplifying operations and action on cost. At our half year results in February, we noted that more significant action was required on cost. Today's proposed measures, which require consultation with employees and unions, would result in up to 2,800 job reductions from Telstra's direct workforce, with the majority of these to occur by the end of this calendar year.

I appreciate the uncertainty proposed changes like these can create for our people, and we will support them through this change with care and transparency. Consultation on 377 roles will begin immediately, mainly from areas supporting the products and services to be exited in Telstra Enterprise.

In addition to starting the reset of Telstra Enterprise, we will reshape some of our internal operations, by moving our Global Business Services function into other parts of the business. This will help simplify processes, and empower leaders closest to customers to make more decisions. We will also continue to focus on a range of actions to reduce non-labour and indirect labour costs.

With these actions, we expect to achieve $350 million of our cost reduction ambition by the end of FY25.

We expect one-off restructuring costs of $200 to $250 million across FY24 and FY25. These costs will be excluded from guidance and are in addition to BAU annual restructuring costs.

Let me now turn to our update to customer terms for our postpaid mobile plans.

Today we announced that we will be updating the customer terms for our postpaid mobile plans to remove the CPI link annual price review. This change simplifies our pricing strategy by bringing the approach to postpaid mobile plans into line with other products. This approach reflects there are a range of factors that go into any pricing decision, and will provide greater flexibility to adjust prices at different times and across different plans based on their value proposition and customer needs.

As a result of this change, we will not be making a CPI-based annual price change to our postpaid mobile prices in July 2024. We will continue to review our pricing, and any changes will be communicated to customers in a timely and transparent way.

Our mobile business continues to perform strongly, with growth in subscriber numbers for the first four months of this half consistent with the first half of FY24. This success has underpinned our EBITDA growth in FY24 to date, and reflects the high demand for our products and the value customers place on our differentiated network, its reliability and our flexible plan.

Finally turning to guidance. Today, we reiterated FY24 guidance, and provided FY25 underlying EBITDA guidance of $8.4 to $8.7 billion. We are committed to delivering our T25 CAGR ambitions for underlying EBITDA, EPS and ROIC growth.

Our continued confidence in our capacity to grow mobiles revenue and EBITDA, along with clear actions on cost, and to reset our Enterprise business, has allowed us to bring forward our underlying EBITDA guidance for FY25. We are just over

12 months from completing our T25 strategy, and good progress has been made in a range of areas, including improving customer experience. Our strategy beyond T25 will build on the momentum created over recent years, and helped set the organisation up for success through to 2030.

Let me close my comments there. And we will now open to questions. A reminder that Michael Ackland, our CFO, and Nathan Burley, Head of Investor Relations, are also on the call. Can I ask Rachel, our call moderator, to please introduce the first question.

Investor Q&A

Moderator: Your first question comes from Eric Choi with Barrenjoey. Please go ahead.

Eric Choi: Morning team. One question, got it. And thanks for the question. Just on mobile, I guess, mobile and Group EBITDA guidance, just thinking about those two things together. You're guiding for FY25 [underlying] EBITDA to grow $150 to $450 million a year-on-year, and it just seems to me to hit the top end of that guidance. Telstra would need to see a lift in postpaid ARPUs, and furthermore, given your postpaid price increases are delayed this year, any price increases would also need to be higher than what you previously thought to achieve a similar outcome, i.e. possibly higher than CPI. So can you just confirm, logically thinking about mobile and [underlying] EBITDA guidance the right way?

Vicki Brady: Thanks, Eric, for the question, and I'll make a couple of comments, and then I'm sure Michael will probably want to jump in as well. So the first thing I would say is we've obviously issued our FY25 underlying EBITDA guidance a little earlier than we ordinarily would. And that really comes from, as I mentioned, that confidence in the growth we're seeing in the mobile business. And I would just reinforce that mobile business strength is across really multiple areas.

It is the postpaid business performing well, it is our prepaid business performing well. It is Belong, Boost, and also our Wholesale business performing well. And as we mentioned in the ASX release, we've continued to see mobile subscriber growth in the four months of this half running at a similar level to the first half of FY24 [verbatim: "FY25"]. So absolutely, we've got real confidence in our mobile business.

In terms of the change we announced today to our customer terms, it removes the CPI linked annual price review. It does provide us further flexibility. As we've said, we will not be increasing postpaid prices in July '24. And obviously, it's not appropriate to comment on any future price increases. We've said pricing remains under review. And if and when we make those decisions, we will obviously communicate those transparently to customers.

But I just want to reinforce, we are very confident in the performance of the mobile business. We're confident in the actions we've announced on cost today. And we are beginning the reset of Telstra Enterprise. I do want to be clear on Enterprise; we're at the start of that detailed review. That is still ongoing. And it will take some time to progress all of those actions to set it up for success. So all of those factors that come into play as we've thought about the underlying EBITDA guidance range for FY25. But Michael, are there any areas you'd call out?

Michael Ackland: No, I think you've covered them, Vicki. And just in terms of, Eric, as you do that walk from – on the [underlying] EBITDA growth, obviously, Vicki mentioned there's cost. At the half year, we talked about being about $105 million through a large majority of $500 million. And so, as we committed today to the $350 million, that provides part of that walk from '24 to '25.

And then we also, at the half, we had mobile customer growth of around 4%. And we've seen that consistent growth continue into the second half, which means that we start '25 with a larger subscriber base than we started '24, which underpins that mobile growth as well.

Now, obviously, when you look at – you've asked when you look at the range, we're a business. There's a lot of different businesses that will perform differently. And depending on where they land, as we go through the year, that will depend on the range. And obviously, one of the areas of risk and concern is our fixed Enterprise business, and particularly NAS, as we've talked about.

So we are at the start of that reset. And in the [underlying] EBITDA guidance we've given today, we've accounted for, we think, the range of sensitivities there. But on mobile, when we look at that customer growth that we've seen through '24, the range of products that we have, from postpaid to prepaid, the range of brands in Wholesale in Boost and Belong, we remain confident that we have a fantastic value proposition that customers continue to value and continue to value more.

Eric Choi: May I ask you a super quick follow up, just housekeeping, Michael? Just on those restructuring charges, can we just confirm they will reduce tax paid and therefore franking? And then the rough math on that is maybe those restructuring charges could be an additional half a cent negative impact on franked EPS and DPS?

Michael Ackland: Yeah. So what we've said is that the restructuring charge we expect to be $200 to $250 million, over and above the BAU restructuring that we've had annually. And so that, in our underlying guidance for next year, and what it was in FY22 was around that $70 to $75 million mark. So on top of that the $200 to $250 [million] would absolutely be tax deductible, it would reduce tax paid. And you can calculate through what that leaves. Our franking balance has been tight, but we believe it is sustainable. And we've factored that in as we have thought about these restructuring charges.

Nathan Burley: Thanks, Eric. Let's go to the next question.

Moderator: Your next question comes from Tom Beadle with Jarden. Please go ahead.

Tom Beadle: Hi, guys. Thanks for the opportunity. I just wanted to run some logic on cost savings and T25. So just with that 2,800 redundancies, I've calculated that probably drives about $360 million in annualised savings, assuming the average salary. So if we're to assume you receive 75% of the benefits of that in FY25, and then we're to exclude that from the $350 [million] of T25 cost savings, that probably infers that you might have only achieve $50 to $100 million of the cost savings under T25. So I just want to check if that maths is correct, and just if there's anything that might have changed in the past few months that's driven that outcome? Thanks.

Michael Ackland: Yeah, why don't I jump on that one, Tom? So I think there are a couple of other factors that are worth taking into account. Obviously, there's costs that go up and down within our business. Particularly in that maths, we need to account for the fact that we will have, as always, annual salary rises across the entire base. The 2,800 represents a bit under 10% of our employee base. So the other 90%, their costs increase as we go into the year. So when you look at it on a net basis, it's a smaller number.

Your calculations on a gross basis, I think are probably pretty, pretty reasonable, but yes, you need to account for the fact that there's other costs that will be going up. And the big one is the rest of that 90% of the employee base, their salaries will increase, and increase through '24, and they'll increase in '25.

And just to repeat, at the half, we said out of the $350 [million], we'd achieved about 100, a bit over $100 million of that in the first half. We expected on a PCP basis, the second half, we wouldn't see a whole lot more. So that's what we're expecting in '25, is the remainder on a net basis, a net nominal basis, net of all of those inflationary costs and salary rises.

Tom Beadle: Okay, great.

Michael Ackland: Thanks Tom.

Moderator: Your next question comes from Lucy Huang with UBS. Please go ahead.

Lucy Huang: Thanks, Vicki and Michael. In relation to your comments around mobile subscriber growth currently tracking in line with the first half, it sounds like momentum is still pretty strong there. Just wondering if you've seen any noticeable shift in the mix between postpaid, prepaid and Wholesale, like anything to point out there for the last four months? Thanks.

Vicki Brady: Thanks, Lucy, for your question. And, I mean, broadly, we've seen the overall mix continue to trend pretty consistently with what we saw in the first half.

Lucy Huang: Great, thank you. So no trading down in this kind of environment, with still, I guess, macro uncertainties?

Vicki Brady: No, I mean, as we talked about in February at first half results, we continue to see absolutely that connectivity services, whether it's mobile, broadband, I think for a lot of consumers, even though [they] are doing it tough, it remains pretty high in their priorities of services that they want to maintain. Obviously, being connected is important to access a range of services, particularly if you're someone experiencing financial challenges. So we continue to see consumers wanting to remain connected and keeping their services with us.

Obviously, we don't have lock-in contracts. We have a range of brands that people can access, different propositions, and we do support customers who do find themselves in financial hardship. So at this stage, all of the trends in mix that we're seeing continues pretty consistent with what we saw in the first half.

Lucy Huang: Great, thank you.

Moderator: Your next question comes from Darren Leung with Macquarie. Please go ahead.

Darren Leung: Morning, guys. Thanks for the question. I just wanted to ask about postpaid churn, please. And I'm just looking at the first half number at 11.4%. Can you give us a feel as to what it's done in the first four months of this calendar year, please? And I guess I'm asking in the context of trying to unpin what's driven the decision to defer the postpaid price increases.

Vicki Brady: Michael, do you want to comment?

Michael Ackland: Yes. Darren, we haven't seen – and I think it goes a little bit back to Lucy's question around downshifting and mix. We haven't seen any significant shift in that. We tend to get a little bit different first half, second half, June, and it was 11.4[%] in the first half, as you rightly point out. We're expecting a pretty similar number for the second half. I haven't seen any trends that would suggest that's significantly different, Darren.

Darren Leung: Understand, thank you.

Moderator: Your next question comes from Kane Hannan with Goldman Sachs. Please go ahead.

Kane Hannan: Thanks, guys. Maybe just looking retrospectively, I mean, if you didn't have the CPI linkage structure in your plans last year, how would have you changed postpaid pricing? I suppose I'm just trying to understand. You've spent all the time and effort conditioning the base to expect an annual price rise, giving the market and customers visibility about what it should be. Why would you walk away from that, is the question.

Vicki Brady: So Kane, why don't I jump in. And I can understand why there are a lot of questions about the change today. Just to reinforce, so firstly, it brings postpaid mobile plans back in line with the rest of our product portfolio. So that does help simplify a little bit in terms of our approach to pricing, and making those choices and decisions.

The second thing I'd say is it does give us flexibility. It gives us flexibility obviously over the longer run as well. Because we know there are many factors that needs to be taken into account when we make pricing decisions. We also know we have very different customer needs and value propositions in the market. Even when I look at the Telstra branded postpaid offering, obviously, the customers that choose the various plans have quite different needs and demands. So the change we've announced today does provide us that additional flexibility over the long run.

Kane Hannan: Thanks. Maybe just sorry, to quickly follow on. If I think about your 2030 outlook, then, I mean, you've taken it out of the contract, but do you think CPI-esque mobile ARPU accretion is still something that's possible, or have we started to tap out in terms of ARPU growth going forward?

Vicki Brady: Kane, the thing we're focused on is, we obviously invest at a different level, in our network, in our services, in the technology and experience we provide. And we continue to see customers value that. And we're seeing that through these four months, again, in terms of that subscriber growth in the business. And so that's what we're focused on.

We've got to make the choices and decisions overall for our business. We know there's this ever increasing demand for data, for ever increasing better connectivity across the country. And so as we invest, and as we deliver a differentiated experience, we will make prices – we'll make choices and decisions around that in all aspects of our business.

So our focus is really on making sure what we're investing in, what we're delivering, delivers that differentiated experience for our customers. And ultimately, customers will be the judge of that. And as I said, three to four months to date at this half we continue to see customers make that choice.

Kane Hannan: Perfect. Thanks very much.

Moderator: Your next question comes from Entcho Raykovski with E&P. Please go ahead.

Entcho Raykovski: Morning, Vicki, Michael, Nathan. My question is also on the change and approach to postpaid pricing. I know there's been clearly a lot of focus on this, but did anything change in the market, in the mobile market over the past few months, which has driven this change in approach to postpaid pricing?

And then looking forward, you've obviously said you're not putting through the July increase. What are the key factors going forward, which will drive your decision whether to increase prices in the future?

Vicki Brady: Thanks, Entcho, for that and for the question. First thing I'd say is, obviously, it's a competitive market. And it continues to be a competitive market. But our focus is always on, as I said, it's about how do we differentiate where we invest, how what we deliver meets the needs of customers, and does provide, frankly, a better experience. And we know our mobile network, its coverage, its performance, its reliability, the security that we provide through lots of technology and services over our network, it is a differentiated proposition. And so, yes, it's a competitive environment, but we remain confident in our ability to invest and differentiate.

As you point out, today, we've announced we won't make price changes in July for our postpaid mobile customers. Part of the change to the customer terms does give us more flexibility, because there are obviously a range of factors that need to be taken into account, not just CPI, when we're making pricing decisions. And we continue to review pricing. As I said, if and when we make those decisions, we will obviously communicate that very transparently with our customers first.

Moderator: The next question comes from Roger Samuel with Jefferies. Please go ahead.

Roger Samuel: Hello, morning all. So with the 2,800 job reductions, you're required to consult with employees and unions. So how should we think about the enterprise agreement that is going to expire in September this year? Do you think you need to make some compromise to get through this job production program, or perhaps even the fact that you removed the annual CPI increases for mobile, that may imply that you're more confident with the outcome of the enterprise agreement?

Vicki Brady: Thanks, Roger, for that. And look, as you point out, you're spot on. Our current enterprise agreements expire end of September of this year. We commenced bargaining with our employee representatives and with the unions a little while ago. We were keen to enter those good faith negotiations, because we know for our team, having some certainty and getting new enterprise agreements voted on will be important.

So those negotiations are underway and ongoing, as you would expect. This morning, as we made these announcements, we've also spoken with the unions. As part of those negotiations, look, we have very constructive relationships with our unions. We also have our employees engaged and part of those discussions. So they are ongoing.

We do now need to consult. So we will begin consultation today on the 377 jobs proposed to be impacted. I would expect as that consultation process happens, we are likely to be in a position where we would make changes on those proposed jobs by the end of July. I anticipate by mid-July, we will be in a position to then provide more detail to our teams internally on the further job reductions and impacts. And again with those, we will enter consultation with our teams and with the unions.

So look, as I said, negotiations in our EA negotiations are underway. And I expect we will have ongoing constructive conversations with our employees, and with unions on the back of today's announcements.

Nathan Burley: Next question, Rachel.

Moderator: Your next question comes from Brian Han with Morningstar.

Brian Han: Good morning. On the restructure, does it encompass the fixed Wholesale business in any way? And if not, I guess, why not?

Michael Ackland: There's cost-out, Brian, across all parts of the business, and including fixed Wholesale and our InfraCo business, there is cost-out as well.

Brian Han: Right, I only ask, Mike, because when you guys coined the term 'reset' you specifically confined to fixed Enterprise. So I was just wondering whether that resetting process encompasses the Wholesale business.

Michael Ackland: The specific actions around resetting our Telstra Enterprise business are focused on what we would refer to, or you would think of as a retail Enterprise business, the Enterprise business where we're selling active services directly to businesses and enterprises. It's not specifically with regard to the fixed Wholesale business. Although as part of our overall cost out program and restructuring charge, there will be actions in fixed Wholesale along with all parts of the business.

Brian Han: Got it, thank you.

Moderator: Your next question comes from Scott Ryall with Rimor Equity Research. Please go ahead.

Scott Ryall: Hi, there. Thank you very much. I wanted to focus just on Telstra Enterprise, please. If I read through your press release and listen to your prepared comments, you talk about streamlined product portfolio, simplification of sales and service model, reduction in cost base. And I know you've got next steps. But I was hoping you can comment on, over the last few months as you've been embarking down this review process, what are the thoughts on capability in the Telstra Enterprise division, please?

And I guess where I'm coming from is obviously service provision is getting more complex. But you've now got investors talking in the press about Goodman Group being a better leverage than Telstra for the data, artificial intelligence themes, for investment exposure, and it really surprises me that Telstra is not there. So I'm wondering if you can just comment on how you see the capability within that group, please?

Vicki Brady: Why don't I make a couple of comments first, Scott, and then Michael might want to jump in as well. So just to provide a little bit more colour as we've been progressing that detailed review of the Telstra Enterprise business. The first thing I'd say is at the core of it, there is a differentiated business there, and proposition to our customers in that Enterprise business. Our vast networks, they're fast, they're secure, reliable, and we do hold a very deeply trusted position with those organisations we support within Enterprise.

What's become clear as we dug in and we've got into that detail, is really, particularly Network Applications and Services, we've probably moved a little bit further out from that before, and we can see advantages now in really simplifying that product set. And as we talked about, we would expect to simplify that down by two thirds of the products we have in market for our Network Applications and Services.

Some of the areas where we do think we've got differentiation, and absolutely a strong right to compete and win in the future, is absolutely in areas like cloud. It is in areas like AI and cyber security. So we absolutely see, as we look over the medium to long term of our Enterprise business, there is real strength and opportunity there.

Now, you mentioned Goodman, and obviously they're investing in data centres. Our focus, when we look at that investment going into data centres across the country, those data centres don't operate as islands on their own. They've got to be connected. And so you will know that we're investing in our InfraCo business. Particularly one of the things that I'd call out is our intercity fibre investment, where we are laying new fibre across the country, connecting our major capital cities and big population areas. And as part of that, that's an important investment, because we can see demand just continuing to grow.

And AI is fuelling this enormous need for processing capacity. That needs to be connected, and it's got to be transmitted across networks. And so we absolutely see benefits in our Enterprise business. We see benefits in our infrastructure business. So over the medium to long run, we see those as important growth drivers for our business as well. Michael, was there anything you wanted to add?

Michael Ackland: I think you've covered it. I do think that as we look at our exposure to the growth in AI, the growth in the digital economy and traffic and processing requirements that the data centre providers are investing in right now, Vicki's captured it. We then connect those. And that connectivity is laying fibre, but it's also the infrastructure of ducts. It's the fixed network sites and other infrastructure we have all over the country, and our ability to invest in that, with intercity fibre. But also to increase the leverage and growth off our existing infrastructure, whether that's active or passive.

And what's exciting is that, particularly in that fibre and duct space, there's been now an expansion of the customers who are looking for that capacity. So we're seeing huge demand from hyperscalers, and not just reselling to other carriers, that is creating significant growth opportunities for us. So we do have a lot of exposure to that growth and for that opportunity. And we're incredibly well positioned to exploit that. And that's where we're investing our capital.

Scott Ryall: All right, great, thank you.

Moderator: Your next question comes from Nick Basile with CLSA. Please go ahead.

Nick Basile: Morning team. Just a question on mobile. I just wanted to ask, should we be expecting a price increase at all in FY25? And if so, what is the best way to think about the average increase over '25 or outer financial years? Is it less likely or more likely to be above CPI?

I think the reason I'm asking is, as others have alluded to, it is somewhat challenging to reconcile the [underlying] EBITDA guidance in FY25, and a step up if hypothetically the mobile segment price increases are lower than what we were expecting previously with them being linked to CPI, and then that therefore negating some of the cost savings you're able to deliver. Thanks.

Vicki Brady: Thank you for the question, and I appreciate you're all trying to reconcile a lot of things today. The first thing, again, I can't comment on future pricing decisions. Obviously, that wouldn't be appropriate. At the time, if and when we make those decisions, we would communicate those to customers. We've obviously provided an early underlying EBITDA guidance range for FY25. And so that would be what I would point to. Unfortunately I can't talk about future pricing decisions.

Moderator: Your next question is a follow up question from Eric Choi. Please go ahead.

Eric Choi: Thanks, guys. If I'm last, maybe, can I fit in two quick follow ups? Just the first one on Enterprise and NAS. You're going to exit certain products and reduce sales staff. So just thinking, could this accelerate the revenue declines in Enterprise into FY25, versus what you saw in FY24? And if so, have you factored this risk in potentially even minimal or negative NAS EBITDA into FY25 guidance?

And then just on mobile. I know you can't comment on timing. I was just wondering for two specific considerations, whether they're factors, or factors that you're thinking about? And those two are; obviously your discount to Optus is probably higher than the traditional range. So does that factor into your thinking? And then you've also said, your headcount reductions will run until the end of CY24. So does the timing of all of that activity come into your thinking? Thank you.

Vicki Brady: Okay, thanks Eric, for that. Just in terms of as we think about Enterprise and NAS, and yes, as you point out, we do expect to really streamline our NAS portfolio of products, reducing it by two thirds. And obviously, as we're doing that, there's top and bottom line to consider. And we want to make sure we're really focused on profitable NAS products and business. And that comes down to where we can differentiate. That also means bringing our cost structure in line with the demand and revenue that we're earning. So that's all in our thinking.

As we think about, and if we put our FY25 guidance together for underlying EBITDA, we've obviously in that thought about what we anticipate out of the changes, and action we need to take to reset the Enterprise business. Obviously it will take us a little bit of time to work through the transition of customers onto more modernised products, where we have go-to modern products for them to go to, or where we might partner with someone to provide those services ongoing, or it might be somewhere where it's a straight out exit.

So that's work all ongoing. But broadly, we have factored in all sorts of scenarios as we've thought about that guidance range. And when we get to August, to full year results, we'll be able to talk to a lot more detail about where we're at, and exactly how we see those things playing out through the Enterprise business.

Just in terms of the question related to mobile. As I spoke to earlier, I mean, the thing that's at the forefront of our mind as we consider pricing, we always look at where we're investing, the proposition we're delivering, and obviously the different needs of customers in the market. And so we have, as you know, a multi brand approach. So we think about our Telstra brand as really providing the most premium value proposition to our customers. And then we think about our other brands in addressing other needs, and delivering other propositions to market.

So they're all of the things that we will always think about as we're looking at the overall business and what it's delivering. But really, at the forefront of our minds is continuing to deliver that differentiated and highly valued proposition to our customers. And as we said, in the four months of this half, we continue to see customers making that choice, and we've seen our subscriber numbers continue to grow.

So we know, we know that where we're investing, what we're delivering continues to resonate with customers, and that's going to be a key part as we think about what the future of the business is, and that really drives our confidence in the mobile business overall that continues to perform strongly in postpaid, in prepaid in our Wholesale business, and in our other brands like Boost and Belong.

Eric Choi: Thanks Vicki.

Moderator: Your next question is from Fraser McLeish with MST Marquee. Please go ahead.

Fraser McLeish: Yeah, hi, thanks, Vicki. Just wondering; CapEx, you've talked about cost savings on operating cost base. CapEx is obviously a very big number for you. Is there not some opportunities to do more on CapEx?

And then also just with the fall in the share price since you made the choice to walk away from InfraCo Fixed monetisation, is that not something you should maybe be considering having another look at again now? Thanks.

Vicki Brady: Thanks for that. Why don't I get Michael to cover the CapEx one first?

Michael Ackland: We are very focused on CapEx, and many of the productivity initiatives that we're focused on, particularly in the non-labour or non-direct labour space where we're working with all of our vendors to improve the outcomes that they deliver for us. A great example is the two recent deals we've done with Infosys and Cognizant to consolidate our existing IT vendors into those two in a longer term partnership. That will give us both OpEx and CapEx efficiencies, as we go into next year. So definitely a focus on CapEx efficiency.

The demand for CapEx however continues, and particularly as we've talked about in terms of the intercity fibre investments that we're making. But also back into RAN and mobile investments to support the mobile business. But yeah, absolutely focused on CapEx efficiencies as we go into '25, and many of those same actions we're taking in OpEx will have benefits in CapEx as well.

Vicki Brady: No, thanks, Michael. And just a comment, just[on the] question around InfraCo Fixed. Obviously, we made the decision that we think the value maximising choice is to hold InfraCo Fixed under its current ownership structure for the medium term.

As we talk to those trends, and real tailwinds that we see behind that business, the growth in AI, what that means for demand. And as we progress now, the build is well underway on key intercity fibre routes. And frankly, as that progresses, we continue to see real growth and potential upside, in our InfraCo business over the long run. And so we continue to believe that holding InfraCo Fixed in its current ownership structure, for the medium term, make sense.

As we've spoken to previously, there may well be, on certain projects, on certain investments, means we may want to look at different structures or partnerships to support those, that actually our confidence in the business and steady growth in that business over the long run only continues to increase as technology change is happening at the pace it is right now.

Fraser McLeish: Thanks.

Moderator: Your next question is a follow up question from Tom Beadle. Please go ahead.

Tom Beadle: Hi. I just wanted to ask about just with the product simplification in NAS, just how long might this take? Is it fair to assume this might take something like three years, like the simplification you saw in the Consumer and Small Business under T22? I guess I'm just trying to understand how you think about the trajectory of that business over the next few years. Like what type of margin could this streamlined business have? And also could there be some revenue impacts with the product simplification that may not be realised say until FY26 or later? And also could the simplification involve the sale of any businesses?

Vicki Brady: Thanks, Tom. And the first thing I'd say is, I think that the way you're thinking about it, you're right. Under T22 we went through a massive simplification of our plans and products from a Consumer and Small Business point of view. As we embark on the reset of Enterprise, one piece of that is a big simplification of our Network Applications and Services products.

And as part of our detailed review, we've been looking at what other peers around the world have been doing, and as I enter and have those conversations with many other CEOs and leaders of those Enterprise businesses, yes, I think it is fair to say it will take a period of time to transition and make that change. You don't just automatically make the decision today to simplify the portfolio and it happens the next day. It is going to take real planning, work with our customers.

And my expectation at this stage would be that is likely to be over a two to three year period. As I said, we'll definitely, when we get to August, we're going to be a lot further through, and we'll be able to talk in more detail about that. But I do think the way you're thinking about that, how it sits as a comparison to the simplification we needed to go through in Consumer and Small Business, we do need to really approach this is a very significant reset of our Enterprise business, to put it in the right position to be able to deliver for customers, and then grow over the long run. That's definitely our aim.

We think we've got very deep, trusted relationships there. We've got very strong network and connectivity, assets and business. And it is necessary to go through this reset of the business. I want to do it properly. I don't want to do it in a superficial way. This is a real chance to reset it. And obviously, as we plan through that, we will need to consider as we transition, what are the revenue impacts, but equally, how do we keep making sure the cost structure matches where we're taking that business? And as I said earlier, in that FY25 underlying EBITDA guidance, we've obviously formed a view and got a range of perspectives that fit within that, in terms of how the business could evolve next year.

Nathan Burley: Next question.

Moderator: This question is another follow up question from Kane Hannan. Please go ahead.

Kane Hannan: Sorry, guys. Two quick ones. Just Telstra Health. I mean, you've announced a few organisational changes today. Have you made any decisions around where Telstra Health sits in the portfolio? And then quickly, NAS, you used to talk about a mid-teens margin aspiration. Any sense what that looks like under the new simplified product set? Cheers.

Vicki Brady: Thanks Kane. Why don't, Michael, you take Telstra Health first?

Michael Ackland: We still we remain confident in Telstra Health. We think the set of assets that we have in Telstra Health fit together, and represent a real value proposition to the healthcare sector. Clearly things are uncertain in the healthcare sector at the moment. I don't think that's any surprise to anyone, as many of the different healthcare providers and government departments and government healthcare providers come out of COVID and go through that transition. But the need for digital health and connectivity across pharmaceutical scripts, GPs, hospitals, aged care, disease registries, all of those assets that we've got put together, that value proposition remains incredibly strong.

Vicki Brady: Thanks, Michael. And then Kane, just to your second question on NAS. We're obviously in the midst of that detailed work and planning out that simplification of the product set. It's fair to say, as we're doing that, we're very much focused on those products where we can differentiate, where we can get the cost structure at the right level to be able to deliver profitable NAS products to market.

It's a bit too early, I think, for us to talk about what that looks like in terms of targeted EBITDA margins as something, as we progress further and come back, as part of full year results, we'll be able to expand a little bit further on where we're at in that work, and certainly what the outlook is for '25.

Kane Hannan: Perfect, thanks guys.

Nathan Burley: Next question, please.

Moderator: Our next question is a follow up question from Roger Samuel. Please go ahead.

Roger Samuel: Yeah, thanks. I just want to follow up on the previous question. So what are exactly the products that you are removing in NAS? Is it mainly the legacy calling applications, and not so much on cloud and cyber and the value adding stuff? Thanks.

Vicki Brady: Thanks, Roger, for that. Michael, why don't you jump in on that?

Michael Ackland: Yes, I think you're absolutely right. There's a focus on exiting and migrating out of those legacy products on to growth products. Calling is a great example where we're moving out. There's also a tail of small products that we would look to exit, that just take noise and cost out of the system over time. And probably trying to get less of a focus on pure technology reselling, and into managed technology services that are sovereign, secure and mission critical and managed by Telstra. So really focusing on those areas where we are advantaged. So the legacy is obviously one, and then that long tail.

Nathan Burley: And I think we'll go to our last question.

Moderator: That's from Entcho Raykovski. Please go ahead.

Entcho Raykovski: Thank you. Hopefully a quick one to wrap up. I'm just interested in how you think about the ability of a company to grow dividends in DPS in light of FY25 guidance. And I know you don't provide specific guidance, but the market is at 19 cents per share in FY25 at the moment. Is there any reason why you shouldn't be able to deliver that number, particularly in light of the earnings guidance you've now provided? Thank you.

Vicki Brady: Thanks, Entcho. Michael, do you want to jump in there?

Michael Ackland: Yes, so Entcho, I mean, we don't provide guidance for dividend. And as a management team, we're absolutely focused on growing earnings to support ongoing dividend growth, and we will continue to maximise our payment of full franked dividends.

So we do see real growth opportunities in the company. Obviously, the guidance range we've provided at the moment is a little wider than we would normally range. It's quite a bit earlier. But we remain confident in our business, we remain confident in getting the cost-out, we remain confident in the strength and growth in our mobile business. We are leaning in heavily to the reset of Enterprise, and we think there is a space for us to be advantaged and to get back to sustainable growth within Enterprise.

And then our InfraCo business is incredibly well positioned to benefit from the explosive growth that we're seeing being triggered by AI, and you're seeing that, and I know the reference to the Goodman Group came up before. But our exposure there we think gives us long term sustainable growth as well. So we're committed to our strategy of maximising the payment of fully franked dividends, and as a management team, we're absolutely focused on all levers to grow earnings and to support growth in that dividend.

Entcho Raykovski: Okay, thank you.

Vicki Brady: Thanks, Entcho, for the last question. And again, thank you to everyone for joining the call today. We appreciate your time and interest in Telstra, and enjoy the rest of your day. Thank you.

[End of recorded material at 00:52:09]