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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra Investor Day 2020 - Transcript

In accordance with the listing rules, I attach a copy of the transcript from Telstra's Investor Day on Thursday 12 November, for release to the market.

Authorised for lodgement by:

Sue Laver
Company Secretary

Comments from Ross Moffat

Ross Moffat: Good morning. I'm Ross Moffat, Head of Investor Relations. And it is my pleasure to welcome you to Telstra's Virtual Investor Day for 2020. Before we commence, I would like to acknowledge on behalf of Telstra the traditional custodians of country throughout Australia and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and emerging.

We have a great line-up for you today. First, we will be hearing from Andy Penn our CEO, followed Kim Krogh Anderson and Nikos Katinakis on 5G, Michael Ackland on Consumer and Small Business, and to close off the first session, David Burns on Enterprise. We will then move to Q&A with those speakers and a short break. After the break, we will have Vicki Brady, our CFO, followed by Brendon Riley on Telstra InfraCo, with a return to Vicki for wrap up. We will then move to our final Q&A session with Andy, Vicki and Brendon. With that, I will now handover to Andy.

Introduction from Andy Penn

Andy Penn: Well, thanks very much, Ross. And good morning everybody and welcome. I hope everyone is continuing to stay safe and well. Thank you for spending the time with us today. Let me start by setting the scene for our discussion. There are really three things that we would like to achieve today: firstly, we want to update you on our operational performance, the key market dynamics that we are seeing, and our progress with our T22 strategy; secondly, to provide a deep dive on some of the key aspects of our strategy including the next steps in the creation of Telstra InfraCo and our intention to create a new corporate structure; and, thirdly, we want to give you the opportunity to hear directly from the broader management team.

Now, as you join us today, we are almost 18 months out from the completion of our T22 program. This means that we're closer to the end than we are to the beginning. So to set the scene, I wanted to start by reminding you why T22 is so important to Telstra, why it is so important that we finish the job. When we launched T22 in June 2018, we'd reached a tipping point; a tipping point where we knew we had to act more boldly. We could see our industry was changing rapidly, driven by technology innovation, competition and the changing expectations of customers hungry for digital experiences and, of course, we had to deal with the profound impacts of the NBN on us.

Our T22 strategy was created to respond to these trends by radically simplifying and digitising our business, by eliminating customer pain points, removing legacy systems and processes, introducing new, agile ways of working and further extending our network leadership including in 5G, reducing our cost base and, of course, establishing a standalone infrastructure business to drive performance and create optionality post the NBN rollout. In other words, we were preparing the company for an accelerating digital economy. And, of course, little did we know that COVID would supercharge the digital economy, and online working, learning and living would suddenly become the new normal.

COVID has proven that when it comes to doing things digitally, with the right incentives in place, change can be embraced quickly. In fact, in the last nine months, the digital economy has exploded around us through activities such as telehealth, online learning, remote working and ecommerce. And through the work that we've already done with the T22 strategy, we are exceptionally well placed to respond and lead in this new environment.

I cannot emphasise enough the significance and the scale of the foundational changes we have made to our digital systems and functions over the last two to three years. They're generational, and we have only just scratched the surface of the benefits that they will ultimately deliver. Telstra, as Australia's largest telecommunications company, plays a central role in the digital economy, and the work that we have done through T22 gives us a winning, competitive advantage.

As we move into the final 18 months of T22, we're extremely well progressed. We have delivered or we are on track to deliver more than three quarters of our strategic objectives, and the progress is visible right the way across the business.

We have simplified. Consumer and small business in market plans were cut from 1,800 to 20. And today, we have almost six million services on those plans.

We have digitised. Many of the old cumbersome legacy systems are gone, and by the end of FY20, more than 70% of Telstra Consumer and Small Business service transactions were via digital channels, up from 53% just 12 months before.

We are working differently. More than 10,000 employees are now working in agile teams where roadblocks have been removed and products and services are able to be rolled out in weeks rather than months. Our 5G network is the best in the country, and, in fact, it's among the very best 5G networks in the world. I expect us to cover more than 50% of the Australian population with our 5G network by the end of December and 75% by June 2021. As you will hear from Kim and Nikos shortly, we will leverage this investment with new products and services such as our 5G fixed wireless broadband solution.

We are also working our assets more effectively. Telstra InfraCo is now fully operational as a standalone infrastructure business unit controlling assets with a book value of around $11 billion. I will return to InfraCo in a moment to comment on the deep dive that we will take you through today.

We've also become more efficient. Through our productivity work, we have delivered $1.8 billion of savings so far, and we remain on track to reach our target of reducing annual underlying fixed costs by $2.5 billion by FY22, and that includes a further $400 million in productivity this year. In fact, our progress so far on productivity along with the digital investments that we have made, sets us up for what's beyond T22. And, importantly, we believe we can deliver strong productivity in FY23 and beyond. Notwithstanding the significant progress, I know, though, that it is not sufficient if we don't also deliver a strong financial performance for our shareholders too.

While the impacts of competition and COVID mean we will not achieve our original ROIC goal in our original timeframe, our level or aspiration should not be interpreted as being kept at ROIC of 7% over time. Now, Vicki is going to speak about this later, but without stealing her thunder too much, I do want you to hear from me that we are absolutely focused on getting our underlying EBITDA into the $7.5 to $8.5 billion range post the NBN that we have spoken about before. We are also upgrading our ROIC target in FY23 to around 8%, given that that is the ROIC which is consistent with EBITDA towards the lower end of that range.

Importantly, we can now see the point in FY23 when the NBN migration will be fully complete and its impact finally wash through our financial results. This will be an historic moment because the net cost to Telstra of this has been huge, around $3.5 billion in recurring annual EBITDA, when it is complete. But with this largely behind us, as you will hear from Vicki, we expect profit to return to growth from FY22. Ultimately, transforming Telstra and preparing and positioning it for the future post the rollout of the NBN has been what T22 is all about. We've made massive progress, but, of course, there's still more work to do, and that brings me to today's agenda.

Today, we want to take you through a deep dive on some of our key priorities for the remainder of the program. 18 months out from the end of T22, we are very clear about what we need to deliver, so let me start with Telstra InfraCo. In the last two years, we have done a lot of work to set up InfraCo as a standalone business managing the vast majority of our infrastructure assets. It was created for three reasons: firstly, to provide greater transparency of Telstra's infrastructure assets; secondly, to improve the efficiency of how we manage those assets; and, of course, thirdly, to provide optionality in an evolving industry.

Today, we are announcing the next step, not just in Telstra InfraCo's establishment, but in the future operations of Telstra overall. Vicki and Brendon will take you through the detail shortly, but, today, we are announcing an important milestone in our T22 strategy, in fact, an important moment in Telstra's long history: a proposed restructure of our business into three separate entities under a parent company, Telstra Group. The three entities will be InfraCo Fixed, InfraCo Towers, and a third entity, ServeCo.

ServeCo is not a new brand name, I should say. We're just using that as a reference today for the purpose of differentiating this entity which is focused on products and services and customer support from the infrastructure business. But InfraCo Fixed will own and operate our passive physical infrastructure assets, the ducts, the pipes, fibre, data centres, subsea cables and exchanges, all of which underpin our fixed telecommunications network.

InfraCo Towers will own and operate our passive physical mobile tower assets which we will look to monetise over time given the demand and compelling valuations for this type of high quality infrastructure. And ServeCo will focus on how we create innovative products and services, support customers, and deliver the best possible customer experience, including maintaining our significant network leadership. ServeCo will own the active parts of our network, things like software defined networking that allows us to operate our network in a very dynamic way.

It's important to understand that we are being very careful to retain key elements of our network in ServeCo; these include things like the radio access network equipment on our mobile towers, our spectrum holdings and the electronics that light up the fibre in our fixed network, because all of these underpin our strategic advantage and differentiation.

Now, we spoke about the key drivers for the establishment of InfraCo when we launched our T22 strategy in June 2018. The challenges and disruptions that we have seen over the last six to 12 months have only reinforced these. Firstly, the increasing value of infrastructure assets globally; secondly, the importance of the digital economy, not only to business, but to the whole of Australia and its economic recovery; and, thirdly, the dependence of the digital economy on telecommunications as the underlying platform that supports it. Because as our collective fortunes become increasingly digitised, our proposed new corporate structure reflects this new world and will help us build a foundation for it, one that is in the interest of our shareholders, our employees, our customers, and, ultimately, one that benefits the country overall.

Any restructure is a complex process, and this is undoubtedly our biggest and most complex since privatisation. It will take time to work through the many commercial, regulatory and operational issues. And we are very conscious of the many stakeholders who will have an interest in these changes, and that is why we have announced our intentions today, because we wanted to do so ahead of implementation so we can undertake a comprehensive consultation program to detail the many benefits that this structure delivers to our stakeholders, but also hear their input as well.

Now, elsewhere in the business beyond InfraCo, it is also important that we finish the T22 job. For our consumer customers, we need to finish radically simplifying our product offerings, eliminating customer pain points and creating all digital experiences. We've already made great progress. As I mentioned a moment ago, more than 70% of our total service transactions are now through digital channels. That equates to almost five million transactions per month. Customers are using digital channels to make payments, download bills, update their credit card details, and 95% of these transactions are now completed in digital.

Digital sales have also dramatically increased over the last two years, up from 6% to 33% in October. Simple sales experiences such as plan changes are now more than 55% via digital, driven through new one click processes.

Finishing this radical simplification and digitisation is a large and complex piece of work, and Michael Ackland's going to take you through that shortly. But with so much change happening simultaneously for our customers, it is inevitable that we will see some issues, but we will address them as quickly as possible, and ultimately I know we will end up providing a better, more seamless customer experience.

Now, I mentioned earlier that T22 will not stand for anything if it does not lead to an improved outcome for our shareholders, and we are confident that it will. But similarly, it must lead to a transformed experience for our customers, and we are now starting to see these benefits accelerating.

Turning then to our fixed business. The NBN headwinds that we have faced are tracking as we had expected, and the T22 changes that we are making will, I believe, enable us to improve our fixed EBITDA. In fact, as you'll hear from Vicki, we are targeting a mid-teens NBN resale margin in FY23.

For our business customers, we need to complete the transformation of our Enterprise business, including with initiatives such as Adaptive Networks to enable Australian companies to manage their connectivity needs and respond more quickly to changing dynamics. David will talk more about this shortly, but we expect to bring Enterprise business back to growth in FY22 at the aggregate level for both revenue and EBITDA.

In networks, as with our roll out of 3G and 4G before, Telstra is the clear market leader in 5G already, and this reinforces that Telstra has and will retain by far the best mobile network in Australia. Vicki will talk more about the detail of our outlook shortly, but we are confident that our leadership in 5G will enable us to achieve second half FY21 ARPU and EBITDA growth in mobiles.

In productivity, cost reductions are expected to come from further product rationalisation, platform simplification, increased customer self-service, and incremental direct and indirect labour reductions.

And finally, as well as restoring growth in our core businesses, we intend to build on the strong performance we have achieved in Telstra Health. This business has built a really impressive ecosystem of digital services that can help with anything from a simple consultation with a GP via a telehealth platform, to delivering paperless prescriptions, to helping create new integrated capabilities in healthcare and aged care at a national level. It hit break even in the month of May this year, and we expect a positive EBITDA contribution from the business in FY21 with revenue growth in excess of 25%.

Now, we know that not all of the investments Telstra has made in the past have gone well, but we have learned from our experience. Our measured approach now means that Telstra Health is incredibly well positioned and performing well, and I believe it will be a very strong contributor to the value of Telstra in the coming years.

I also wanted to take this moment to share with you that we are exploring the opportunity to resell energy to our consumer customers. These plans are at an early stage, but we are about to apply for the necessary licences, and you will therefore become aware of them in the coming weeks.

Now, we are one of the largest consumers of electricity in the country. We have been heavily involved in the sector by underwriting renewable generation, via PPAs, providing firming power capacity during times of extreme demand or grid instability, and neutralising the emissions from our total operations. We already underwrite projects that generate enough renewable energy to power about 100,000 homes. And we provide standby power that enables more renewable energy to be absorbed into the energy grid. We also deploy machine learning and IOT to change the way that we use energy. We have a very experienced energy team. All of these things help us affordably access more renewable energy, and we also help some of our larger customers do exactly the same.

Now, we are exploring bringing all of this experience to the table with a consumer offer, leveraging our strong in-home position with our customers, the investments that we have made in the digitisation of our customer systems, and our Telstra Loyalty Plus program. We plan to do so with a simple, affordable solution at a low cost for us, and we will do it with the same measured and conservative approach that we have applied to [Telstra] Health over the last few years.

I want to finish my remarks this morning by coming back to the digital economy, and the importance of getting the policy and regulatory settings right for Australia's future. To its credit, the Federal Government has shown its commitment to the huge task of digitising our economy, with recent announcements in the Budget. Only last month, the Prime Minister reiterated his commitment to this goal when he spoke of upgrading the circuit boards of our economy,and using the gains we have made this year as a springboard to become a leader.

What is important now is that we continue to build momentum behind the digital economy by removing barriers, incentivising growth, and encouraging reform. Because if we get this right, the potential economic benefits for Australia and Australians are enormous. Recent modelling from PwC showed that more businesses embracing digital tools could add up to a further $90 billion of incremental value to the Australian economy, and importantly create up to a quarter of a million new jobs by 2025.

Telecommunications networks will make or break the country's digital economy. With so much at stake, it is therefore crucial we have a clear, shared vision for the telecommunications industry for the next decade. With the completion of the NBN rollout, there is now an opportunity for Australia to develop such a vision, one that is technology agnostic, one that provides an environment that is pro-investment and pro-innovation, a vision that not only considers the NBN, but the success of the whole sector.

Our initiatives with Telstra InfraCo and the structural changes that we have announced today support such a vision, as do all of the changes that we have made, and are making as part of our T22 strategy. Because T22 is fundamentally about transforming Telstra for the future, and being in the best possible position to grow strongly in the digital economy.

I hope that helps set the scene for today's discussion, and gives you a sense of our immediate priorities and urgency with which we are facing them. As we move further into FY22, and at a point where we are closer to the finish of T22 than we are to the start, we know we have more work to do to truly transform Telstra, but we also know that we have already made very significant progress. We therefore look to the future with growing confidence in our ability to deliver our strategic ambitions, and importantly, return Telstra to growth.

Thank you. And with that, I will now hand over to Kim.

5G – Technology & Product – Kim Krogh Anderson and Nikos Katinakis

Kim Krogh Anderson: Thanks Andy, and hello everyone. My name is Kim Krogh Anderson, and I am the Group Executive for Product and Technology Function here at Telstra. Joining me today to present the 5G update is my colleague, Nikos Katinakis, the Group Executive of Telstra, for Telstra Network and IT.

Today we will give you an update on our 5G network rollout, our technology roadmap, and how we are currently monetising our 5G leadership. We will also touch on how we believe the 5G ecosystem and the technology evolution will create long term value and growth for Telstra.

Overall, we believe early adoption of 5G is the single biggest opportunity for telcos in this decade. That's why we have doubled down on our 5G investment and leadership. With this short introduction, I will hand over to Nikos, who will give us an update on our current 5G network, and our technology plans. So Nikos, over to you.

Nikos Katinakis: Thank you for the introduction Kim. I'm super excited to be able to share some of the things we have been doing, and let me start with our 5G deployment.

After our accelerating our investment, our 5G network already covers 44% of the Australian population, and we are on target to reach 75% population coverage by the end of June 2021. We now have 2,250 sites, actually a bit more than that, across the country. We are significantly ahead of our competitors, and our intention is to continue our drive for technological leadership.

Besides the opportunities that open up with 5G that Kim will describe later, there are three broad factors that have played a key role in our decision to go faster. The first one is that 5G is a lot more efficient than 4G. Our data consumption continues to grow by 30 to 40% per year, and we are always keen to use the next generation of technology that allows us to deliver more data at a lower cost per bit.

The second interesting change with 5G is that the device ecosystem is materialising a lot faster than previous generations of technology. We believe that customers that want to get the latest Samsung, Apple iPhone or any other device that already supports 5G, will also want the network to use it. And we want to be there for them.

Finally, one of the many things that COVID has proven is that change can be made and embraced quickly. It has also proven that the digital economy is central to the functioning of our country, and it will be very important to the economic recovery. Good connectivity is more important than ever before. And resiliency, bandwidth and performance are critical.

Telstra's 5G network is already in more than 60 cities and regional towns across Australia, including most of the suburbs of those cities. More than 12 million Australians now live, work and pass through our 5G network footprint every day.

Evidence that Australia is doing well in the wireless domain is the recent global GSMA Mobile Connectivity Index in 2020. This is the sixth year running, and it's showing the success of our competitive market. Australia came first in the index, and that index measures infrastructure affordability, consumer readiness, continent services.

Last year, we walked you through how the spectrum situation plays out in 5G. I would like to give you an update on this. We have three layers of spectrum that we are making available to 5G. Low band; great for coverage over long distances and in building penetration from the outside. We are selectively using our 850 [Mhz] spectrum, that is also used for 3G, and 700 [Mhz], that is used for 4G.

We have announced that we are shutting down our 3G network in 2024, and in the meantime, we are deploying some cool technology called dynamic spectrum sharing that allows us to use the same radio for both 3G and 5G simultaneously. Mid-band is perfect for coverage improvements and additional capacity, and then high band or mmwave, excellent for massive capacity uplifts. We are using the mid-band, the 3.5 [Ghz] spectrum, as the foundation of 5G everywhere we deploy. And this is the spectrum that was auctioned off in late 2018.

Finally, we're really looking forward to the auction early next year of mmwave. While it's not suitable for broad geographic coverage, it will allow us to meet organic capacity growth, scaling of services, and really optimise offerings like fixed wireless to a select group of customers.

Two points of differentiation in the way we're deploying our network, is that we have focused on deploying 5G in a contiguous fashion, and also by using low bands for in-building penetration.

One important point that I want to make on this; it's around speeds. As you can easily understand, big speeds start to become irrelevant. Most telcos around the globe, including ourselves, have been publishing big speeds that indicate the progress of the technology. We recently announced 4.2 gigabits per second on a 5G test. With the introduction of mmwave, the numbers get so large, that they really become irrelevant. Instead, we have started focusing on the actual experience that our customers are getting, wherever they are, and wherever they use their devices and their services.

All major independent studies show that the Telstra mobile networks, including 5G, outperform all our competitors across all the cities tested, and in some cases by as much as 50%. In the lower part of the chart, you can also see the evolution of the device ecosystem and the availability of 5G devices from all the major manufacturers for our markets. It's a really good story.

Another thing we have been doing is we have founded the 5G Future Forum, and we are developing partnerships with cloud services providers and technology vendors. We have said many times that 5G is particularly important for enterprises, and we are clear that the only way to successfully deploy new capabilities and monetise them is through partnerships. The 5G Future Forum was established in January 2020 by six telcos from around the globe; América Móvil, KT, Rogers, Telstra, Verizon and Vodafone came together with the intention to develop 5G interoperability specifications to accelerate the delivery of 5G and MAC solutions around the globe. MAC stands for multi access edge computing.

The specifications that have started to be released by 5GFF formed the foundation for collaboration between telcos, public cloud providers such as Microsoft, Azure, AWS, Google and others, and key technology providers such as Cisco, Ericsson, Nokia, and others. It is the collaboration between the complete ecosystem that really enables the introduction of a set of new capabilities that will be taken advantage by the Enterprise customers everywhere.

5G and edge compute have the potential to truly change how organisations operate, and be a game changer for a range of applications. Let me quickly cover these new capabilities.

Telstra can bring elevated value to edge compute enhanced solutions. This is probably the most important chart in my presentation today, because it describes the actual capabilities that we're looking to enable. I'm not going to describe all the points on this slide. But I do want to highlight some of the key ones.

By moving the network in the cloud closer to the Enterprises, we are able to reduce latency to applications, and increase the resiliency of both the network and those applications. We will be taking advantage of our physical presence that we have across the country, and the peering points with cloud and application providers to enable those edge sites. We have also been building the people capabilities in security, cloud and software development, so we can support our customers and partners across all these edge locations.

And when is all this going to be available? We have started enabling capabilities and we're working with partners already. As an example, we have collaboration initiatives for Agri-Food Connect in Toowoomba, and we have activities in both Melbourne and Sydney. Broad commercial availability is expected from Telstra in about 12 months or so from now. However, as I said, we are seeing key initial capabilities coming online at our innovation centres now.

I will pass it back to Kim who will describe in more detail how we plan to use these capabilities across the various Enterprise verticals, and more importantly, to give you a flavour on how we're monetising 5G now and in the future. Kim, back to you.

Kim Krogh Anderson: Thank you Nikos. All over the world enhanced mobile broadband, or in simpler terms 5G devices, is the initial use case for telcos to monetise the 5G investment. This is also the case for Telstra, where we are monetising increased capacity, lower latency and higher speed. The network rollout leadership really lays the foundation for strong 5G monetisation in Consumer, Small Business, and Enterprise segment.

Since May 2019, we have launched more than 20 5G-enabled devices, ranging from smartphones, tablets, mobile broadband devices, and this year, all key smartphone vendors have launched their flagship 5G device, like Samsung Galaxy S20, the Google Pixel 5, and of course the latest iPhone 12.

This has truly accelerated the 5G ecosystem. And as of today, we now have more than 400,000 5G devices in our network. To this into perspective, at the moment, we are adding around 40,000 new 5G devices every single week to our 5G network, of course accelerated by the latest iPhone 12 phones. But to really maximise the utilisation of our 5G leadership, we also need devices in a lower price range. And in fact, earlier this week, we launched the Motorola 5 plus. It is priced at $499, which is our cheapest 5G smartphone ever.

Our data also shows us that our 5G customers are using about two times more data than 5G customers, which is the reason why we have refreshed our mobile plans, providing up to 30 gigabytes of extra data, and including 5G access on our top three plans. This has resulted in a significant shift from customers signing up to the top three plans. In fact, 72% of the iPhone 12 devices are on these top three plans. Another early 5G use case is [the] fixed wireless access.

As Andy mentioned, fixed wireless access will be a core technology to improve our customer experience, where the fixed technology is underperforming or not sufficient to work, learn, or be entertained from our homes.

Currently, about 65% of our customers with copper connectivity are unable to achieve thresholds for 100 Mbps services. So that’s why we in September launched our Telstra 5G home internet product to address some of these experience challenges faced by our customers.

The product is currently invite only, as we want to ensure we only provide each household with the best possible service technology and customer experience. We are already getting positive feedback from customers with download speeds around 280 Mbps on average.

There is a significant interest in our 5G home internet product from many Australians. And we will over the next 12 months scale our solution to capture the value of 5G fixed wireless access to continue addressing the underserved households in Australia.

mmwave will be an important enabler as Nikos has mentioned, to ensure the right capacity and experience when more customers get access to fixed wireless access.

The 5G network and fixed wireless access will not only be for our consumers, it will also be a super important enabler for all sizes of businesses. For our Enterprise customers, the 5G network will enable the opportunity to provide them with access agnostic solutions to create the required resiliency and flexibility.

For our Enterprise customers, we have announced Adaptive Mobility, which is a simple mobile broadband and Enterprise wireless solution with modular plans, features and services that enable customers to create a solution that fits their specific needs.

As part of Adaptive Mobility, we earlier this year launched Cradlepoint’s 5G wireless network edge solutions to deliver the speed, security and reliability required by our Enterprise customers. And just like our consumer offering, we will scale up our offering next year when mmwave is available.

Technology over the next 12 to 18 months will accelerate even further with 5G in the centre of that evolution. For example, the content and entertainment industry are always thinking about how they can create, produce and deliver more engaging and realistic content to tell their stories. Part of that is leveraging nascent technologies like AR/VR, as well as 8K high resolution displays to deliver a more immersive experience.

This is true across sports, movies, TV, short form content, advertising and many other sectors. This also means that our long-standing partnership with the sports codes, with Foxtel, will be even more critical to bring these enhanced experiences to our customers in the future.

We will also see an explosion of cloud gaming platforms emerge in Australia. I anticipate most of the big hyperscalers launching some form of cloud gaming in the next one to two years. Microsoft xCloud, Google Stadia, Amazon Luna and many others. As part of our strategic partnership with Microsoft, we are the exclusive partner in Australia for Xbox All Access, and will enable xCloud for our customers when that's available.

5G faster speeds, ultra low latency, means customers can play the latest games inside their home and then continue with a seamless and similar experience on the go. 5G network slicing can also deliver service defined experience configured for AI and VR gaming and entertainment.

Even before 5G and network slicing is available, we have developed network optimised experience for our gaming customers, and have early indications that they are willing to pay for this service defined experience. 5G slicing will be the key enabler of high-quality AR, VR, Xi experiences, which will accelerate the device ecosystem with earphones, smart glasses, smartwatches, and even smart clothing. Existing devices will also be 5G enabled in the future. More smartphones will have 5G connectivity, and we will also see more tablets, laptops and even television with 5G to allow the viewing of high resolution 8K videos and mixed reality content.

Service defined slices combined with the growing device ecosystem will give us new opportunities to capture the value of our 5G investment and ensure long term growth. To capture these longer term opportunities of 5G, the telco industry, including Telstra, need to reinvent the current business model and move away from gigabytes and speed, to an experience-centric business model.

We believe we are well positioned to capture the value of the different industries and sectors when they digitise and automate their businesses. AI will extract the value of Massive IoT, and will require an ultra reliable low latency network and real time compute. Our 5G network, slicing and private network will be a core enabler of the ultra reliable use cases enabling Industry 4.0.

But we will also need cloud and edge to create the resiliency and the compute power required for these use cases. While connectivity remains super critical, it is software and applications that will solve the customers' pain points and deliver the real value of Industry 4.0.

We are in a strong position, as more than half of our current revenue in our IoT business is driven by software and services, which is unique when we compare ourselves to other telcos around the world.

For our customers to transform and digitise their business, they will need a world class professional service and managed services partner. This is the core part of Telstra Purple. Every industry vertical will have huge potential. We believe we are well positioned to play a leading part of that transformation. But we also know that we would not be able to do that stand alone. We need to work with strategic partners, and in ecosystems to capture the full potential of this fourth industrial revolution.

We are already working with partners and customers to combine these technologies, to develop important new industry solutions in areas such as tracking, supply chain, telematics, digital twins, and smartspace solution. As Nikos mentioned, some of these strategic partners include, for instance, Microsoft, Ericsson, where we already are working with them to develop digital twins and edge compute solutions and capabilities.

This ecosystem will require Telstra to reinvent traditional business models and market structures. To do that, we are transforming as a company into an open ecosystem with programmable interfaces to engage with our partners and customers in a new and agile and digital way. There is an ocean of opportunities, and we are both excited and confident that we will capture 5G growth in the short, medium and long term.

To summarise, first of all, we will double down on our 5G leadership, and capture the value of enhanced mobile broadband with increased TMMC, as well as growing content and device ecosystem.

Secondly, we will accelerate and provide fixed wireless access where the current fixed connectivity is not sufficient. And thirdly, we also double down on the ultra reliable use cases, which will create opportunities for our core connectivity business, our NAS business, our professional and managed service business, and new opportunities within industrial solutions enabled by 5G, cloud, edge, AI, and IoT.

Thank you very much. And now I will pass it on to Michael Ackland to give us an update on our Consumer and Small Business. Michael, over to you.

<u>Consumer and Small Business – Michael Ackland</u>

Michael Ackland: Kim, thank you very much. And thank you Nikos. Super exciting to hear about all that technology and where we're heading.

It has been an incredibly challenging year for our Consumer and Small Business teams. And I want to thank all of the teams who service our customers for their incredible hard work, and also their adaptability. I also want to thank our customers, for their patience and their adaptability as we've gone through these difficult times.

As well as being challenging, it's also been a year of achievement. And importantly, we're set up well to meet our T22 targets. Today I want to run through what our current results and our T22 targets mean for our commercial success. But first I want to talk a little bit about the current market situation.

We've seen significant changes in the market in recent times. The market is evolving, with a number of changes in our competitive dynamics across our competitors, and particularly in relation to the evolution in the market around multi-brand, whether that's with Optus' acquisition of Amaysim, the launch of GoMo, the launch of Felix.

5G is becoming more prominent now. You heard from Kim and Nikos, but both Samsung, Apple, but also Google, Motorola, have launched 5G devices and are creating exciting new opportunities for growth. For example, game streaming is one of the first tangible mobile 5G use cases, and it is poised to scale. Our partners at Microsoft had xCloud in beta and it's close to launch as well. Customer behaviour has shifted quickly towards more data consumption, and spending more time online during the pandemic.

With the NBN migration effectively complete by the end of FY21, the next stage of the rollout is incredibly important with the $4.5 million network investment plans from the NBN coming over the next few years. And there is a real optimism around restoring value in mobiles.

So, driving growth. Today I want to focus on the following five key value levers that we're using to drive growth. Firstly, delivering value from our mobile business through a return to ARPU growth in the second half of FY21. Improving our fixed economics through NBN trading levers and cost management across both our NBN and our legacy businesses. Strong growth in new products and categories, including media, gaming, and small business, business services. Realising the commercial potential of the Telstra Plus program, through redemption activity and partnerships, and most importantly, driving and delivering a step change in customer experience with the migration onto the new technology stack.

So starting with mobiles. The last few years have delivered us a strong foundation for growth in mobiles. The shift to the new simplified upfront plans, the removal of usage-based data charges and no lock-in contracts, as well as ongoing network investment has put us in an excellent position.

Our premium has been sustained, with a $2 increase in transacting minimum monthly commitment uplift over the FY20 period, and we're on track to achieve a further $2 TMMC increase to the end of the first half of FY21 on a PCP basis.

We're also in the middle of the iPhone launches at the moment. I would say launch, but its launches. And our performance so far has given us real confidence. As Kim mentioned, we're seeing strong iPhone pre-orders, with 72% of the mix so far on the top three plans. We're also on track for ARPU growth in the second half of FY21, and further growth into FY22.

In order to achieve this growth, we're focused on a number of things; maintaining our 5G network leadership. As Nikos said, our 5G network already covers 44% of the Australian populations, and we're on target to reach 75% population coverage by the end of June '21. We now have 5G sites in selected areas of more than 60 cities and regional towns around Australia. There are 1,650 suburbs already with more than 50% coverage of Telstra 5G, and we have over 2,250 sites across the country. Our 5G network covers an area that more than 12 million Australians work or pass through on a daily basis.

We are targeting to have over three quarters of a million 5G devices on our network by the end of this calendar year. We also expect that 80% of all of our device sales will be 5G devices by the end of FY22, which will double the 5G device mix that we've seen in FY21.

All of this is supported by our ongoing migration to our new simplified plans. By the end of FY21, we will have 4.36 million services on mobile in-market plans, which is on track to reach our FY22 target.

We continue to have confidence in our multi-brand approach. And an exciting milestone we have just completed is to move our Belong mobile business onto a new technology stack. We are also building a range of tech network optimised products that Kim talked about that will hit the market soon.

Moving to fixed. In fixed, we're prioritising improved margin by FY23. So what does this look like? We're targeting mid-teens NBN reseller EBITDA margins by FY23. And we're doing this by tripling the mix of high speed tier plans as part of ongoing improvements in fixed broadband ARPUs. And we are seeing strong sales momentum in the higher speed tiers already. We're simplifying our cost structure, with all of our NBN activations through the new digital stack by early FY22. And we're accelerating our on-net solutions.

Telstra has the largest base of 4G hybrid modems worldwide. Our Smart Modems have full 4G capacity for both voice and data. and in addition to the 5G wireless access that Kim talked about, offer opportunities for customers to be provided an even better experience. We currently have over 2.1 million Smart Modems in use; we want to increase this to 2.6 million in FY21, and reach out target of 3.1 million in FY22, of which almost 400,000 customers we expect will be using our Smart Modem Generation 3 that we're launching in FY22.

Moving on to our legacy fixed broadband products. We have a pathway to contain the diseconomies of scale in our legacy fixed business. And we're working with the Government and stakeholders to support regional and remote communities onto even better technologies.

So more broadly in fixed, how are we doing this? As I've mentioned, we're prioritising customer experience in fixed with our Smart Modem. We recently launched our games optimiser product after months of strong beta testing delivered via the Smart Modem. We've launched improvements to our Wi-Fi experience with our Wi-Fi guarantee, and our customer base, leveraging smart boosters, is expected to more than triple through FY22.

We have also uplifted our customer experience by improving the performance on our Smart Modems, with now up to 25 megabit speeds on the 4G failover, increasing from six megabits per second. We're committing to clearer and easier to understand typical evening speeds of 25 megabits per second, 50 megabits per second, and 100 megabits per second, which are currently leading the market.

It's not just about fixed and mobile. We're also enabling our customers to thrive in new categories. As the market becomes more competitive, we continue to find ways to add value to customers by bringing our whole of customer strategy to life. In gaming, we've partnered with Microsoft to promote the Xbox. The first year of gaming has been successful and we plan to double the subscribers by early next year due to the new Xbox coming in in Christmas and through the Christmas retail period.

We've expanded our media suite with the launch of Binge. Within the first five months, we've had 166,000 trialists take up the offer.

As Kim said, we've launched our 5G home internet fixed wireless product in late September, and we'll be scaling that up over the next 12 months, particularly with mmwave.

We're focusing on how we can add value to our Small Business customers, and we've launched a cybersecurity product, an IT support product, and a digital marketing product for our Small Business customers. We've had fantastic feedback from customers using these services, and we're now poised to scale these products in FY22.

A little bit more on security. We have now launched parental control in our My Telstra app, and we plan to launch a new suite of cyber security products in calendar year 2021.

Moving on to Telstra Plus. Telstra Plus is something we are incredibly excited about, and we've seen great success with Telstra Plus and engagement is a driving factor of this. In fact, we've hit 2.5 million enrolled customers, which we plan to double by FY22.

As we reach scale on our customer base, redemption volumes and the click through rates point to a highly engaged base. This is also reflected in a plus 20 strategic NPS differential.

Now that Telstra Plus is maturing, the next step is to really put our foot down on driving commercial value. We're building exciting new partnerships that will benefit both consumers and small businesses. So stay tuned. We are seeing redemptions grow at 32% quarter on quarter. And the multiple ways to pay including points plus repayment options for hardware and accessories have been a big success. We've also launched redemption offers in our core services, such as postpaid and prepaid mobile, which we expect to grow significantly. And in addition, we're now expanding our redemption offers to further drive the uptake of add-ons in our core services.

Our FY22 ambition for Telstra plus is for five million members, more partnerships, 1.5 million redemption transactions annually, and more than 80% active engagement across our membership base.

Moving on to digitisation. Throughout the T22 program, we've had a strong focus on improving customer pain points. Through the simplification of our plans, the removal of contracts, as well as removing usage-based excess data charges. We've reduced our call volume significantly by 15 million from FY18 to FY20. And we we've increased our level of digital engagement, digital service at 73% as of October.

As we've been doing all this, we've been building our new technology stack. Re-platforming a company the size of Telstra is a huge undertaking. And you can see from the slide, we've achieved some big milestones over the past 12 months, including the launch of the new My Telstra app, which now has 4.4 million customers already active. Launching our console, which is our new customer relationship tool, to over 20,000 frontline agents.

The foundations of this build are now largely complete. And we're now focused on the migration of our customers onto that new stack. And I'll talk now about how that is taking place.

We commenced the migration of postpaid handheld services last month in October, and we are starting the migration of prepaid in November. We expect our migration run rate will be around 750,000 services per month from Q4, FY21. And we're aiming to hit 50% of sales on the new stack from the end of FY21 across all products. We are targeting to stop selling our legacy plans on mobile and NBN on the old stack, before the end of the financial year.

So what does this mean for customers? Our customer reset is already well underway. From simplifying and digitising our customer service, including the number and types of plans we offer, to the way customers shop and talk to us, and the way they pay for their services. Customers, as Andy talked about, are completing tasks, such as payments and downloading bills and are requesting payment extensions, updating credit card details in digital.

Digital transactions performed by the My Telstra app have grown 50% over the last 12 months, and digital sales have dramatically increased in the two years up from 6% to 35% now. We have 73% of total service interactions via the digital channel.

On the service front, we scaled the digital messaging channel in our contact centres very rapidly over a six week period during the early stages of COVID, which took our assisted interactions via messaging from around 5% to 55%, which was an enormous effort.

But as with any type of significant change of this nature, we faced customer experience challenges as we did this, and we have been refining the effectiveness of the channel, and we feel confident that we are in a very good position. We know this has caused some ongoing issues. But we have a major piece of work underway to improve the experience. We are listening to customers, and we're making very significant changes.

While we've already seen significant achievements in improving customer experience, we are yet to realise the full benefits of the digitisation program. We are only just scratching the surface from a productivity point of view and a customer experience perspective. This will be a step change once we have a critical mass of customers onto the new stack, with higher rates of digital conversion, reduced provisioning times from 40 minutes to less than 10 minutes, halving our fault phone calls with proactive troubleshooting, an NPS upside that we're already seeing in pilot customers of between 10 and 20 points on the new technology.

Going forward we intend to lead the market with our transformed sales and service experiences. We are committed to having all inbound calls from our Consumer and Small Business customers answered in Australia by the end of T22. We also have a program of work underway to create rich digital experiences by further enhancing the message experience.

So to wrap up; we've made good progress on our T22 strategy so far across our Consumer and Small Business customer base, and as a result we're well positioned as 5G reaches scale and NBN migration is completed.

We have a clear path to delivering growth in mobile, and improved economics in fixed and NBN resellers. Our ongoing customer focus is delivering compelling new offers, it is removing customer pain points, and it is improving our economics. In fact, we're at a 10-year record high for consumer brand consideration. And we're seeing very strong strategic NPS results, which shows there is plenty of goodwill in the market towards our brand that we have built upon during this period.

This has been driven by network superiority and ongoing improving perceptions of value for money and competitive pricing. We are particularly encouraged with the growth in consideration for Telstra by Gen Y and Gen Z customers, which shows the value under 40s place in high quality connectivity, and augurs well for the future.

I hope that gives you a strong perspective on the confidence we feel in our ability to fundamentally change the customer experience and deliver real growth in the Consumer and Small Business team. With that, I will stop and I will hand back to David Burns. Thank you.

Enterprise – David Burns

David Burns: Thanks, Michael. Good morning, everyone. My name is David Burns. I'm the new Group Executive for Telstra Enterprise.

I've worked in the Enterprise market segment for more than 30 years. So I'm truly excited by the opportunity to lead our Enterprise business. I joined Telstra in 2012, and have led both the NAS and the international teams within the Enterprise portfolio before being appointed the Group Executive of Global Business Services. So I truly believe I have a deep understanding of the Enterprise business, its drivers, its customers, and the opportunities. And I'm looking forward to successfully growing this business over the coming years.

Michael has just highlighted some of the significant outcomes that our Consumer business has realised as a result of our T22 transformation. Likewise, in Enterprise today, I will outline how we will continue to transform our business and the outcomes we expect as a result.

While many of the market factors are similar across Enterprise and Consumer, the criticality of technology to our customers, the prominence of the hyperscalers, and the exciting upcoming opportunities with 5G will drive our business even further. So today, I'll update you on many parts of this well thought out strategy that I've inherited. And I believe my job is now to execute on this strategy, drive value in good economics, and grow the Enterprise business. So let me take you through that plan.

Telstra Enterprise generated $8 billion of Telstra's underlying income in FY20. This came from fixed and mobile connectivity, our services business in Australia, and our international operations. The Telstra Enterprise business as a portfolio is expected to return to revenue and EBITDA growth in FY22. And as I'll run through in today's presentation, it is important to note that from FY22, some areas within the portfolio will remain challenged, such as data and IP, and in other areas, we are expecting growth across the remainder of the portfolio.

But to achieve our overall Telstra Enterprise growth by FY22, we are focused on four key enablers. Firstly, leveraging our 5G and network leadership to maintain our SIO share, stabilise our ARPU, and drive growth by scaling our mobility services and our IoT business.

Second, executing our next generation of services offerings, by rapidly scaling our business in key growth markets, such as cloud and security. And in parallel, we will maintain our share and margin in existing profit pools across our traditional NAS business.

Thirdly, setting up our data and IP portfolio for long term sustainable growth by migrating our customers to new plans and propositions. And finally, by continuing to execute on our international profitable growth strategy by focusing on OTT and Enterprise segments, and efficiently leveraging our assets.

So let me take you through each of those four pillars and firstly, let's look at our mobility portfolio. As you heard from Nikos and Kim, our 5G network now reaches more than 44% of the Australian population. And by June of '21, that will be 75%. Innovation and use cases for the Enterprise segment will be a key element of the monetisation of these investments.

5G is being productised and developed for Enterprise customer use cases, as it will bring high speeds to our customers, enabling them to overcome business challenges with incredibly innovative applications. 5G is central to our new modular, standardised adaptive mobility plans.

Launched in August, these simple plans focused on speed rather than data inclusions. The plans cover handheld, mobile broadband, and Enterprise wireless, and have three 5G compatible speed and price tiers; Essential, Enhanced, and Epic.

Adaptive Mobility brings to life our next generation of mobile leadership, and is one of the key ways we will improve mobile EBITDA. We are focusing on firstly stabilising our overall ARPU trajectory, upselling 5G –using 5G as an upsell stabilisation, including targeting $3 to $5 uplift on the Adaptive Mobility Enhanced and Epic plans, offering 250 megabits per second and unlimited speed caps respectively.

We'll then grow our mobility managed services attach rate by eight percentage points from FY20 to '23, to over a close to a third of our mobile base. We will then radically simplify our mobility portfolio in line with the T22 strategy by reducing the number of plans from more than 2,000 to 12 or less. And then we'll improve the customer experience by more efficiently managing sales and service requests, lowering cost to serve, and improving margins through digitally enabling and integrating these new plans onto our new digital customer systems.

As we move beyond handsets, 5G is exciting for customers as it gives them access to the quality and speed of a fixed connection on a simpler and easier to manage way. For example, Enterprise 5G wireless can power a business' cloud-based applications and remote working needs without being connected to a fixed network.

The Adaptive Solutions portfolio also enables the integration of wireless and fibre access into a secure SD-WAN solution. And in June of this year, Telstra Enterprise customers were the first in the world to be able to buy and use the new Cradlepoint 5G wireless network edge solutions.

Telstra also has the largest IoT network in Australia. So leveraging our mobile network advantage, we can bring industry specific solutions to our customers. A cornerstone of growth, our IoT business is a great example of how the network connectivity and technology services arms of our business work to create specialised solutions to meet the customer's needs in various industries. We are targeting a doubling of our IoT services attach rate by FY23.

And as the 5G ecosystem matures over the next 12 to 18 months, we will see well advanced network capabilities for Enterprise and industry use cases, which will unlock new monetisation opportunities. These capabilities include slicing, edge, AR, VR, and other key technologies powering what we call the fourth industrial revolution, or 4.0, which Kim outlined a little earlier.

Leveraging Telstra's 5G network leadership, we are well positioned to provide these exciting new opportunities and technologies to our customers. So for example, 5G can enable use cases in the healthcare industry such as virtual reality training and surgical procedures, or supporting critical patient monitoring applications through AI enabled decisions at the network edge. To perform these critical activities, these technologies need 5G's low latency.

So as we move towards full 5G capability at scale, we'll also be able to monetise the network through access to APIs, quality of service tiering, and prioritisation in a B2B2X model, i.e. we can help our customers service their customers.

So let me go to the second pillar now, the services business. Our ability to provide our customers with technology solutions that leverage our networks and drive business outcomes, has been one of our key advantages. So as competition in the connectivity market continues to intensify, we will maintain our focus on growing our unique technology services capabilities.

Today, our NAS business is the largest contributor of revenue to Telstra Enterprise, and will be a key driver of our future growth. The key elements of our NAS business are significant managed network services and unified comms portfolios, and Telstra Purple, our professional and managed services organisation.

It's just over a year ago that we launched Telstra Purple, a team of native technology experts focusing on app development, secure network design, and cloud migration, helping our customers digitally transform and make the most of the latest technologies. Telstra Purple has some of Australia's best talent, more than 1,500 of them, in fact, with core strengths in security, network, cloud and app development.

And over the past year, this team has worked on more than 8,000 customer projects, including development of apps and platforms for industries such as mining, healthcare and transport. And additionally, due to COVID, they've helped on examples such as new building management solutions that COVID has caused, and many other industry leading digital products or projects.

But as market continues to evolve and grow, with the hyperscalers, AWS and Azure driving much of that market, COVID has only accelerated our customers' need for flexibility, the cost benefits of cloud applications, and moving their workloads to public clouds.

The urgency of digital transformation for many businesses continues to increase. And with every cloud migration, they need a flexible, modern network to support their application performance. The rise of IoT connectivity further enables businesses to use technology to improve operations and save money.

So I believe that Telstra is uniquely positioned to grow in this environment. I've already mentioned Telstra Purple's software-based capabilities, our network flexibility and resilience, which we now combine by partnering with the hyperscalers.

Take our recent announcement with Microsoft. Telstra Purple holds Microsoft Gold Partner status and accreditations including Cloud Platform, app development, security and DevOps, as well as the exclusive Azure expert MSP program. Telstra Purple is also an AWS advanced partner, certified in migration, DevOps, containerisation , and a member of its MSP program.

An example of the application of these AWS capabilities was a project recently with Vic Roads, helping it adopt cutting edge technology such as Docker and Amazon's elastic container services, and scale its cloud presence more effectively, and efficiency. Telstra Purple is the key to this success.

NAS is also a great foundation for our managed service offerings, which are particularly important, as it drives the benefits of cloud applications.

We're investing in tools and systems to standardise and scale our managed services to not only improve our margin, but also help scale our managed services business into the next tier of Enterprise and midmarket businesses.

Our financial performance in NAS has demonstrated as our focus and execution on cost management, and we expect to maintain our mid-teens EBITDA margins.

Acquiring capabilities combined with our Telstra core skills in security and UC as examples, has been critical to our strategy to build our NAS portfolio to what it is today. Acquisitions provide us with vital capabilities that bolster our relevance in today's software driven, digitally transformation focused world. And we will continue this approach as we see good opportunities to progress our strategy and drive overall shareholder returns.

So let me now turn to our Networks business. At last year's Investor Day, we spoke about the need to transform our Enterprise data and IP portfolio, given the changes the market was experiencing. These trends included the shift away from premium IP VPN to SD-WAN and hybrid connectivity, as well as NBN's continued focus on the Enterprise segment.

And as I've just outlined, it is not just the competitive forces that we've had to respond to, as our customers are also increasingly shifting workloads to the cloud, which means our connectivity solutions must also be adapted accordingly.

And so in September, we launched an exciting brand new proposition to meet our customers' rapidly evolving fixed connectivity needs. Telstra's Adaptive Networks is our new Enterprise network suite of products that provides customers with the commercial and technical flexibility to pay for what they need, and easily scale their service requirements up or down. This enables them to run their network efficiently, effectively and securely.

Telstra's Adaptive Networks unbundles the connectivity layer with the access layer, allowing for a hybrid network and for customers to embrace the latest in SD-WAN technology options. It positions us for further opportunities on top of the network in security, cloud and applications.

Telstra's Adaptive Networks is a game changer for our Enterprise data and IP portfolio, and a key part of our T22 strategy to build simplicity and flexibility into our products. By combining a simple, flexible offer, with our built in network smarts and resiliency, together with direct connectivity into Australia's largest internet backbone, we are confident that we can secure our current customer base on our 250,000 kilometres of existing Telstra enterprise fibre, and mitigate NBN overbuild risk for our existing 60,000 lit buildings.

We also continue to invest in SD-WAN capabilities to help customers take advantage of the benefits of software defined networking. Through deep partnerships with the leading SD-WAN providers, Cisco's SD-WAN and Meraki, and VMware's Velo cloud, Telstra has created industry leading adaptive SD-WAN solutions to suit a broad range of customers.

Our adaptive network offerings will include NBN-based solutions as well. This is particularly relevant for regional Australian businesses that are currently being served with copper-based technology that won't be fit for future purpose. By partnering with NBN, we expect to drive new customer growth opportunities, and capital efficiencies as we seek to migrate 30,000 copper Enterprise connectivity services to fibre. Overall, we are targeting a return to EBITDA growth for our data and IP portfolio by FY24.

As legacy calling revenue continues to reduce in line with the 2022 exit of ISDN, we are focused on transitioning those associated services to NAS products. The rate of decline in data access and connectivity revenue will continue over the next two years as we proactively migrate existing services to adaptive offerings. And we are focused on setting ourselves up for long term sustainable growth.

So let me now turn to the fourth of our pillars, which is our international business. Telstra Enterprise International is a competitive challenger in international markets, connecting international businesses to Asia, and Asia to the world. We operate in more than 20 countries outside of Australia, serving global Enterprise, wholesale and OTT customers. We have a strong global presence with 400,000 kilometres of cables, the largest subsea cable network in Asia Pacific, and more than 2,000 points of presence.

And in the last fiscal year, Telstra Enterprise International achieved strong growth, with key highlights being, firstly, $2 billion segment revenue with global connectivity EBITDA growth of 20% at constant currency. And we continued significant investments in new cable routes with industry names such as HKL, PLCN, and

Southern Cross Next. More importantly, these cable routes are expected to provide us with 20 terabytes of additional new design capacity by FY22.

So our strategy going forward, we are focused on continuing our strong performance in International through these following key initiatives. Firstly, we will continue to drive our global carrier value proposition to OTT and carrier customers, targeting large deals. These deals generate cash flow, and help us maximise the value of our cable investments.

We are increasing our focus on our Enterprise customer segment as an APAC focused Enterprise connectivity and service provider as our second strategy. And thirdly, and finally, we are focused on driving EBITDA growth on a constant currency basis and maximising cash return. This will be achieved by strategically investing in cable routes that are most demanded by customers and return the most profit. And by continuing to leverage the Enterprise Customer Hub to drive operational efficiency and improve customer experience.

So let me summarise. In line with our T22 commitments, we will continue to execute initiatives to drive simplification and improved customer and employee experiences, digitise our business and achieve profitable growth. Firstly, in simplification, we will continue to simplify our business, and put the customer first in everything we do. Since 2018, we have reduced Enterprise products by 35%, and that will be at 50% by the end of this fiscal year.

I've outlined our simplified product offerings, Adaptive Mobility and Adaptive Networks that make it easier for our people and easier for our customers to do business with us. The improved customer experience has been reflected in an uplift in our strategic NPS across all of our customer segments, along with an improvement in our own employee engagement.

Secondly, we have made great progress with our B2B digitisation program over the last year, improving how we service our customers. I've talked about our recently launched Adaptive Mobile and Adaptive Networks products, with Enterprise mobility migration underway to its new digital stack.

Our Telstra Connect platform simplifies and improves the customer experience, as it provides customers with a centralised self-service tool to digitally manage incidents, request services, track orders, and monitor their network performance. We exceeded the target of 4,000 active customers on Telstra Connect by the end of FY20. And we're on track to achieve our T22 commitment of more than 7,000 active customers by the end of this fiscal year.

And finally, it is imperative that we continue to drive profitable growth as a business by prioritising and aligning to market demand. To achieve the overall growth I've highlighted, we've created new product suites such as the adaptive Network Solutions, which is focused on providing our customers with the best networks and enhancing customer flexibility and simplification. We're also focused on mobilising our NAS and Telstra Purple business towards cloud and digital technologies to support our customers drive towards digital transformation, and strengthening Telstra Enterprise International through additional capacity and digital tools. All of which will contribute to our growth outlook.

Thank you for your time, I appreciate it. I'll now join Andy, Michael, Nikos and Kim for a Q&A session. But as we set up for that, let's show you a quick video to give you a flavour of our new Telstra adaptive Network Solutions. Thank you.

[Video plays]

[Video ends]

First Q&A Session

Ross Moffat: Welcome back. Now we'll move to our Q&A session. I would ask that we focus the questions on the presentations around Consumer and Small Business, Enterprise and 5G, as we've yet to hear from Brendon and Vicki on InfraCo, and we'll get to those questions in the second session. So with that, Taylor, do we have any questions on the line please?

Eric Choi: […] percent by end of CY21. Just wondering what your views are on that, and what proportion of your gross adds are on 5G handsets so far? And then just a question on InfraCo, I don't know if this is jumping the gun a bit, but I suppose the one thing we haven't addressed is his capital structure. So just wondering if there's the ability, just referencing other sort of infrastructure comps, to take on more debt, and potentially even to fund buybacks? And if that was the case, how do we sort of balance EPS versus the credit rating, whether we're willing to sort of steer away from that traditional A band credit rating to sort of support the EPS? Thanks.

Andy Penn: Thanks. It's Andy. Hopefully you can hear me OK. We just lost the first part of your question, but I think you were really talking about the proportion of 5G devices that we were seeing on the network, which you heard from Michael and from Kim. So I might just ask Michael to comment on that, and perhaps –

Eric Choi: Can I clarify that?

Andy Penn: Yes, please. That'd be helpful.

Eric Choi: Sorry, the first question was actually on, I guess the ARPU uplift from 5G and the 5G iPhone, because Michael said there was 72% being added on the top three plans. So the math sort of suggests an average ARPU of $55 to $60, excluding Belong and Enterprise.

Andy Penn: Yes, got it. No, look, and I'll get Michael to maybe comment on that. And look, on the one on capital structure and InfraCo, I think I might hold that over, if that's OK, until we've got Vicki on the stage as well. And once she's had a chance, and Brendon have had a chance to take us through the InfraCo presentations. But Michael, do you want to talk about the 5G flow through into ARPU and what we're seeing on the plans?

Michael Ackland: Yes, absolutely. So 73% of the top three plans, which is $65 and above. There are some offers in there with Telstra points, but I think the maths of around a $55 to $60 average, in terms of the gross adds going on is about right.

And then the second one is what proportion of handsets are 5G in our gross adds. So through Q1, about 65% of our Android sales were 5G. And with Apple, obviously, the new range is 100% 5G. But obviously there's a broader Apple range that we're still selling in terms of SEs and others. So I would expect us to be very quickly, probably for Q2 to be well above that 65% range. And then as we go into next year, it'll move around. Particularly given you've got, I think, as Kim pointed out, such a broad price range on the 5G devices now, both in Android with Motorola and Google. But even the iPhone Mini as an entry price 5G. So yeah, 65%-ish would be a good range, and then going up from there, as the [inaudible] come out of the range, for gross adds.

Andy Penn: Yes. And to the extent that that's a much higher number than our competitors are saying that they may be experiencing, I think that's just clearly a demonstration of the fact that we've got a much better network and we're much further advanced in relation to 5G. Because I think there was a question about some of our competitors saying they're seeing a much lower proportion, but that doesn't surprise me because actually we're just a lot further advanced in relation to 5G than our competitors are.

Eric Choi: Excellent answers. And just to follow on, Michael, since forecasting mobile ARPUs is such as dark art, if we're putting on head brand at $55 or $60, Belong coming in probably in the $15 to $20 range, and Enterprise is a discount to that $55 to $60 presumably, if everything goes according to plan, at the end point, you could still conceivably get to a blended ARPU in the low $50s versus your high, your high $40s today. Am I mapping that all right?

Michael Ackland: Well, I think we're confident of our ARPU growth targets into the second half, and then further growth into FY22. And I think all of the mechanics you describe there is exactly the way that we would think through the maths. And so lifting the TMMC on an ongoing basis, not just in main brand, but across all of the brands, lifting that TMMC is broadly where we want it to be, and that will flow into ARPU, as we said, with second half growth and further growth into FY22.

Eric Choi: Thank you very much.

Ross Moffat: That's great. Thank you, Taylor. Can we go to the next question, please?

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

Kane Hannan: Good morning guys, just three from me as well, please. Firstly, just the updated ROIC target Andy. Just for the avoidance of any doubt this time around, just a sense of what the underlying EBITDA would be if you hit I suppose 8.0% ROIC in FY23. And just confirming that no assumptions around telco sales or any other asset sales in that number.

Secondly, just on your fixed margin outlook, you're going from arguably zero margins in 21, to a mid-teens level in FY23. Just wondering if you made any assumptions around fixed wireless in that number, and just a bit more detail around how you're actually going to do that, given it looks like a bit of a hockey stick recovery?

And then finally, just a quick one around the mobile ARPU outlook, just confirming what your assumptions are around mobile roaming, particularly in FY22 comment of continued growth. Cheers.

Andy Penn: Thanks very much Kane. I will answer the first one, and I'll get Michael to answer the second one on roaming, and then we'll go to Kim to answer the middle one on fixed, if that's OK, Kim, and I only do it that way because Kim's in Sydney and I'm in Melbourne. So do you want to just do the one on roaming first, Michael, and then I'll go to the one on ROIC?

Michael Ackland: Yeah, so our forecast for second half ARPU growth and then further growth of ARPU into FY22 is independent of whether – it's not excluding roaming. We have a roaming assumption where we expect in the outer years to see a return to roaming, and so there's no qualifications on our ARPU growth in the second half of '21, or further growth in '22.

Andy Penn: And then on the ROIC one, Kane, there isn't any assumptions in asset restructures or monetisation in the update on that ROIC. And to your point, and Vicki will talk a bit more about this later, when we updated our ROIC, in conjunction with results, we probably were a bit conservative in terms of how we expressed that. And so we've sought to address that by being a bit more definitive that, you know, we see ROIC at approximately 8% in FY23. And of course, there's a number of factors that do come into ROIC, obviously there's EBITDA, there's D&A, there's interest costs, there's the capital position. So it is a broader range. But we would sort of estimate EBITDA would be sort of at the lower end of that range to be equivalent to ROIC at around about 8%. But I'll get Vicki to come back on that I'm sure when we get to hear from her in the second half of the presentations.

And then Kim, do you mind just talking a little bit about some of the important contributory factors that helped get us from here to a mid-teens margin on reselling NBN, and the extent to which fixed wireless may or may not play a role in that?

Kim Krogh Anderson: Yes, thank you. Thank you, Andy. And first of all, that target is on the NBN reseller only. So it is really about that, and then fixed wireless access and some of these on-net opportunities we see, that will come on top of that.

But to do that, now when we are getting closer to the finalisation of the migration to NBN, it's really about operational efficiency and operational excellence. So to really ensure that we capitalise on the new digitisation stack, ensure that we utilise that automation in the back end to take out costs to ensure that reseller margin.

On top of that, also, of course, ensure that we increase the top line. We have re-introduced the 100 Mbps products into market, which is a very important part of increasing the ARPU and TMMC for our NBN reseller customers.

So it is a logic of operational efficiency, excellence, to take away the cost and automate that back end process. And then it's about ensuring that we set up same logic as the mobile to sell to a higher ARPU and therefore increase the TMMC. So it is a combination of these two things that create a very clear plan to that target. So we believe it's about operational efficiency and excellence.

Moderator: Thank you. Your next question comes from Mr Entcho Raykovski from Credit Suisse. Please go ahead.

Entcho Raykovski: Morning, all. So my questions, running through them one by one. Firstly, and sorry, don't want to labour the point around the ARPU growth. But the comments on ARPU growth in mobile in the second half, if you can just give us further colour whether you think that growth is likely to be marginal. Sounds like you've got reasonable confidence, but any more colour whether you think it can be only just get there, or if you think you've got a reasonable level of growth that you can achieve?

And secondly, productivity targets, obviously, $2.5 billion by FY22. But can you talk about the quantum of the beyond FY22, especially given a lot of the digitisation initiatives you've spoken about? I suspect you are not going to give us a number, but just the level of significance of those additional targets. And then just finally, interested in how you reconcile the expectations for data and IP growth in FY24, with NBN's plans to expand the reach of their enterprise ethernet products, and whether that creates a risk to some of those growth projections. Thank you.

Andy Penn: Thanks, Entcho. I might go first again to Michael to talk about the mobile ARPU. I think Entcho's question really is how material will the increase be in the second half? And to the previous question, I mean, it is a bit of a, not too much a dark art, it's just more that there are a lot of moving parts in the ARPU equation. So I don't know, Mike, if you can provide any colour, and then we'll go to – I'll talk about productivity, and then we'll go to David on the data and IP question.

Michael Ackland: Yeah, OK. I'll try and provide a bit of colour to that question. We have a large base and ARPU moves relatively slowly, and there are a lot of moving pieces. What I would point to is that our confidence in moving ARPU back to growth in the second half is driven by 18 months' worth of actions that we've taken in market from a pricing perspective. Now whether that's removing the $10 Belong plan from market, whether that's the ongoing and continual lift in TMMC and plan mix that we've made, whether it's the significant pricing changes we've made within our JB Hi-Fi channel to really target value. All of those are what are built into the base.

And so obviously, our transacting MMC has an impact, but we only do, we only transact on a certain proportion of our customer base in any period. So we're confident around the returning to growth. But I would reiterate this has been a long journey of ongoing changes in the way that we've competed in market. And it is a big base and the ARPU moves relatively slowly.

Andy Penn: Thanks, Michael. And on productivity, you're right, Entcho, to point out, and I've been deliberately trying to make the point, that there's an enormous amount of work that's gone into the digitisation of our business. And as I said, I can't underestimate just how significant the scale of that work is. I mean, Telstra is an enormously large company with a massive amount of historical legacy in products and systems and processes. And so, upgrading all that and re-platforming all of that, it really is a generational project. It doesn't happen overnight.

And so a lot of the hard work is really what we've been doing over the last few years, and particularly under the T22 programming. And the slightly frustrating thing about that is in a way is that of course you have to do really 95, close to 95% of the work before you start to get really the material changes and benefits.

And Michael tried to provide a little bit of colour of what's coming up literally just in this year. And he quoted a few statistics about, you know, how many, what proportion of new business we'll be having coming through the new stack, and the proportion of customers that we will migrate. So FY21 is a really material year in terms of how we start to leverage that.

The important point of all of that is a bit to your point. And what it means is actually, the productivity benefits of that are actually going to flow beyond the T22 period, so beyond FY22. And so that's why we're confident enough to firstly say productivity will absolutely be a feature of what comes after T22. And as we said at results, you know, we'll talk about that sometime in the next 12 months or so. It will absolutely be a feature, and it will absolutely be material. I don't want to go further in terms of what the numbers will be. And of course, we will absolutely deliver what we've said for the rest of the T22 program, which is another $400 million this year, and by definition, another $300 million the year after, and then thereafter, it will be, I anticipate it will be in the hundreds of millions, as an ongoing basis for a period of time as we flow that through.

But I don't want to say further than that, because Vicki will kick me under the proverbial table. But I think enough to say we expect it to be a contributor to ongoing value that we're creating. And it's a lot to do with the very significant work that's been put in place in the platforming, and then the migrations that happen from there.

I'll pass back to Sydney and get David to talk about how we're going to get data and IP growth notwithstanding NBN's aspirations in the data and IP area as well.

David Burns: Thanks, Andy. Look, I think this is a combination of two or three plays here. And I like the cards I've got, frankly. Firstly, we recognise we needed to do something with the products, so hence, Adaptive Networks, its flexibility, its ability to go up and down, its ability to meet customers demand and need. And we're rolling that out as we speak, and the take up in the interest from our customer set in very early weeks is very, very positive. And I'm very excited by that.

I do recognise that as we transform if you like or migrate our customers – and our first objective is to maintain our customer base, by the way, – is to migrate them from let's call it a back book to a front book in this instance, is going to only but help in that decline. But it's about retaining our customers.

And what I am excited about is the quality of our network, our Telstra fibre that we base that upon, the partnerships as I outlined in my presentation in SD-WAN, and we will use the NBN where appropriate, where we haven't got Telstra fibre, and where that's right. Regional Australia is a great example for businesses in those places.

But on top of that, what I like is that combination that will use our services strength. Because our customers are using our data and IP networks to do their own digital transformation, to move more and more to the cloud. And it's a combination of both of those things that I think that gives us a great set of cards and a great play with our customer set.

So we will work with NBN. But we have a great set of assets, we have a great play. And I'm pretty confident that we'll retain our customer set. And that's the most important objective here.

Moderator: Yes. Your next question comes from Mr Sameer Chopra from Bank of America. Please go ahead.

Sameer Chopra: Morning. I just had one question. Just kind of want to understand, you know, with COVID and the changes in behaviour, some firms letting go of people, what are the trends that you're seeing in things like – and I'm talking about subscriber numbers – what are the trends you're seeing in terms of mobile broadband and sort of switching between prepaid and postpaid? If you can just give us some colour around the subscriber end, and how we've kind of tracked in the last six months through COVID, behavioural changes, that would be really appreciated.

Andy Penn: Hi Sameer, no, thanks very much for the question. I might get Michael maybe to go first, and then we could go to Sydney and see if Kim would want to add anything, and then maybe even David from an Enterprise perspective, but Mike?

Michael Ackland: Yeah, I'll answer relatively quickly. So we have seen a bit of a shift back to subscriber growth between pre and post. So people converting from pre to post has turned a little bit, and we've seen subscriber volume, new activations in prepaid soften quite a bit through this period, because people aren't out and about in the same way. But our unique users has been very, very strong in prepaid. So people who had them kept them. Mobile broadband, a little bit up and down. But David probably has, it's probably an interesting story there on that in Enterprise.

Andy Penn: Yes OK, thanks, Michael. Let's go to Sydney, and David and Kim, not sure who wants to go first.

Kim Krogh Anderson: I can go first. And thanks for the question. I think COVID has definitely shown us different behaviours from our customers. And that goes for both Consumer, Small Business and also our Enterprise customers. And I think the first thing is really when people are working, studying and being entertained in their homes because of the lockdown, we have seen an increased demand to the connectivity, and therefore that's also the reason why fixed wireless access is so important to bring to market now, to ensure we bring the right technology to the right homes in Australia.

So to ensure the right capacity, the right speed, the right experience into homes, that's one thing. Then the other thing is really that we have seen people going out of the office space and in to have a more flexible environment, and that's why we have seen an upgrade – and David can come back to that – especially in Enterprise where we have provided a lot of additional mobile broadband to serve that need.

And then of course, one of the biggest things we have seen through COVID is the UC portfolio. The whole UC portfolio and the collaboration tools and videoconference and all these things, that is a significant change in behaviour that had increased again the need for quality. And we work again to ensure the service defined experience, so people have a good experience. And we do that together with our own solution, our partners, Cisco solutions, but also together with Microsoft Teams and all these things. So to ensure a wide range of offering, again, to support the flexibility our Enterprise customers demand, as David, he mentioned before.

The last point I think is important is the affordability. This situation, this COVID potential recession, really gives customers a different affordability. And therefore it's so important to keep the 5G penetration that we, as Michael mentioned, as well, and I also mentioned earlier, we provide the customers with that range of offering an affordable 5G handset to still digitise themselves and benefit from 5G, but in a way they can afford.

So we really see a lot of different impacts on the way we are serving our customers. And we're trying to be on the forefront of that. And then it is definitely opportunities for us that can fuel our growth and solution to our customers. But David, you've seen it in Enterprise as well?

David Burns: Oh, look, I think the only thing I'd add to that, Kim, because I think you've covered the points very well, is that the obvious point of being able to work from anywhere, and that's an Enterprise requirement. Telstra has had 20,000 people, more than 20,000 people working from home since early March, and so have most enterprises, and we know we will continue to do that going forward.

So not only is it in the mobile broadband pick up that we've seen recently in industries, you talked about the UC portfolio. But also in Telstra Purple, we see lots of projects about this enabling of enterprises to be able to work from anywhere. So there's no doubt that COVID also does create in the Enterprise space, some opportunities as well as some challenges. And so that continued migration to the cloud of companies, et cetera, as I outlined in in my presentation, it does represent an opportunity for us.

Moderator: Thank you. Your next question comes from Mr Ian Martin from New Street Research. Please go ahead.

Ian Martin: Thank you, two questions, if I could. Just with the multi access edge compute, and you seem to be suggesting that's effectively a whole new area of business potentially with incremental value. And we've seen how this has played out previously with technology change, that the telcos, the network operators invest heavily in the infrastructure, but a lot of the value goes to content providers. And in this sector, you've got your cloud service providers and vendors and so on. And I guess the risk is that a lot of that value in the network you're building ends up being paid away in software licensing and content, particularly those cloud vendors. So I wonder if you can comment on that and how you're managing that risk?

And secondly, just in relation to 5G, the early indications seem to be that the level of usage is two or three or more times higher than 4G, And that that is becoming quite a difficult thing to manage, both from a network point of view and in terms of consumer satisfaction with lots of reports of consumers switching 5G off, rather than running to the edge of their data allowances.

Andy Penn: Hey, Ian, Andy, no, great to hear from you. Thank you. on that second point, I'm not sure that's an experience that we're having, but I might – actually I've got Nikos with me, I might get Nikos to tackle both of those, both from the edge compute perspective where we see that opportunity, and then also, what we're seeing in terms of the experience on the 5G network.

Nikos Katinakis: Thank you, Andy. I'll start with the 5G edge compute, or mobile edge compute capability that we're deploying, and how does that play out? As I said before, the ecosystem collaboration is key to the success. And I think you've highlighted that. So in the absence of collaboration between operators, cloud providers, and the content, and the content can come in the form of applications or any other content, that ecosystem will not work.

But we have seen already quite a few announcements on this collaboration. So we are quite, quite confident that this is going to work out. We have the infrastructure assets and their locations across the country, so we can deploy as needed. And that creates a brand new opportunity. Kim mentioned a few of use cases, but I'll give you some examples of where the money is really going to come from, from that ecosystem.

AR, VR, you know, you can imagine, three, four years from now, the estimates are about 200 plus million devices of AR, VR headsets. Unless you have the compute power in your pocket in the network, you'll end up with a massive helmet on your head. Clearly, that's not going to work out very well. So edge compute is what's going to enable a lot of the capability, especially on AR, the augmented reality applications that we're going to see. Same thing for face recognition in airports, same thing for measurement of foot traffic in stores, that ability is key, and it's all brand new capability that's going to emerge.

On traffic usage, 5G, compared to 4G, is about 10 times more efficient. And as you can imagine, a lot of it comes from spectrum. It's the first time that we have seen the expansion of spectrum usage in so many other bands at the same time. So growth in data continues to be about 30 to 40% per year. And in the absence of this technology evolution, we will not be able to handle it, like you said.

So 5G, yes, we do see incremental traffic. It's the early adopters, and they always use a lot more. We expect that to stabilise and reach a new water level in the next few years. Just to give you an idea, the average monthly consumption now of a user is the 15 to 20 gigabytes per month. So that's still not big enough to kill anybody's data bucket, at least in Australia, where we have quite generous, I would say, data plans. So Andy, that's it.

Andy Penn: At least at Telstra, we have generous data plans. So maybe our competitors are not offering that same level of competitiveness. And then of course, we also have data available beyond that, as well, in all of our plans as one of the things that it's been central to our T22 program, which is getting rid of excess data charges. So thanks, Ian. And Ross, happy to go to the next question.

Moderator: Thank you. Your next question comes from Mr Fraser McLeish from MST Marquee, please go ahead.

Fraser McLeish: Hi, guys. Just two for me. First one for Michael. Just wondering if you could comment on what you're seeing in the mobile competitive pricing environment, anything that encourages you or concerns you, and particularly if you can talk about how you're thinking about the sustainability of that $65 entry point, for 5G. That's the first one.

Then just Andy, I wondered if you could comment on NBN pricing? Obviously that upgrade to your NBN margins guidance, it doesn't kind of suggest that NBN pricing, wholesale pricing is killing you quite as much as previously. Do you still see a need for that NBN wholesale price to come down? Thanks.

Andy Penn: Thanks very much, Fraser. Look, I think on NBN pricing, I mean firstly, just to be clear, our aspiration to get NBN reseller margins to mid teens does not assume any major structural change from NBN in terms of its approach to pricing, et cetera. Our position on pricing hasn't changed, and we think those prices are too high, and structurally, the CVC continues to be, I think, a potential headwind to the development of the digital economy. And so our position on that hasn't changed. But in terms of our modelling and our outlooks and our forecasts, we're not, we're not planning for any sort of structural change. We hope we get one. But that's not assumed in any numbers. But, Michael, I might get you to talk about the competitive dynamics in in mobile as well.

Michael Ackland: Yeah, great. So I think, you know, obviously we're in the middle of iPhone launch, and there'll be a series of other sort of flagship device launches through the first half of next year, and the innovation on the handset side as more and more 5G devices come, and we see that is, I think, gives us some confidence around people being in market and being willing to spend. So and I think what we've seen in this latest iPhone launch, particularly is that the competition around the service plans has probably anchored a little bit higher than it has in the last few launches where there was less excitement about the new phone. So that's, definitely a positive.

I think the other thing that gives us some confidence is the range of device prices that we've seen, and a real slowing in that increase of device prices, where we'd seen quite an escalation of device prices over the last few years, which always puts pressure back on the underlying service plan.

Moderator: Thank you. Our next question comes from Mr Brian Han from Morningstar. Please go ahead.

Brian Han: Andy, on the likely productivity benefits beyond T22, do you think most of that will be in the ServeCo vehicle or will there be more efficiency gains in the other passive infrastructure vehicles? And, secondly, can I please circle back to the mid-teen margin targets for NBN reselling, given the current NBN access cost structure, how big is the margin leverage from tripling customers on high speed tiers?

Andrew Penn: Thanks, Brian. I'll send the question on NBN reseller and the dependency – I think what I'm interpreting from what Brian's saying, Kim, is how much is the – our mid-teen aspiration dependent on getting customers to trade up, so if you can give a bit of colour on that.

But, firstly, in terms of the productivity question, I think it is fair to say that there would be just in nominal terms, more of the productivity would be in ServeCo than the InfraCo businesses mainly because there's more cost in there, there's more activity, there's more transactions. That's where all the operational aspects of the business are, but that's not to say that we won't be setting our InfraCo teams' productivity and efficiency targets as well, so we certainly will. But I think it is fair to say that just nominally, just where the cost actually sits, it would be greater in ServeCo than the InfraCo parts of the business. But with that said, I'll pass the NBN reseller margin question to Sydney and to Kim.

Kim Krogh Anderson: Thank you, Andy. And, again, as I mentioned before, the efficiency is one thing, then on the top, there is the change to the higher tiers, that's one element. And after we are now back in market, on the high tiers, we see an increased uptake on the 100 Mbps, but we also see uptake on the even higher plan tiers. On top of that, we also sell some of the add-ons that will increase this. We have the Wi-Fi guarantee where we ensure and guarantee that you not only have connectivity at your access point into the home, but actually have guaranteed Wi-Fi where you use the device in the home; that's one thing.

We will always come with optimised products, as I mentioned before, into the homes. We also have security. We have all these things coming in on top of the pure connectivity. That will increase the ARPU and the top line. But we see an increase already. We have already seen an increase from where we were before with the – in the tiers, an increase in the tiers, to actually improve this.

So all in all, we see a significant need, so all the places where we can provide the higher tiers, we do that now because we are in market with that product mix and our customers, they demand better experience because of the need they have realised under COVID. So we see a quite clear roadmap to get us to that top line point we need.

And then, of course, combined with our operational efficiency and excellence with all the back end processes. So the combination is still the same, but the need from the customer, the demand from the customer have increased as a part of COVID, and that's what we're utilising now with this new product mix we have in market.

Moderator: Thank you. There are no further questions at this time. I will now hand the call back over to Ross.

Ross Moffat: Thank you, Taylor. That concludes our first Q&A session. We'll take a short break and be back at about 11:05 with Vicki Brady. Thank you very much.

Maximising Value – Vicki Brady

Vicki Brady: Hello everyone, and welcome back. I'm Vicki Brady, CFO of Telstra. I'm really pleased so many people could join us for our Investor Day today, even if the circumstances are a bit different this year. Let me start by saying that I hope you and your loved ones are safe and well during this difficult time.

I'd like to thank my colleagues who have presented so far. I think they've demonstrated the momentum we've built within our business. Shortly, Brendon Riley will provide an update on InfraCo including an overview and financial snapshot of the passive asset businesses.

Before he does, I wanted to discuss the structural implications for our whole business and our focus on delivering optimal group outcomes and returns.

Today is an exciting milestone as we take advantage of the progress InfraCo has made and set out our plans for the future. As Andy has mentioned, we intend to establish a corporate structure for Telstra that maximises long term value for our shareholders and gives us the option to undertake further monetisations. This structure would include InfraCo Fixed, InfraCo Towers, and ServeCo as subsidiaries of the Telstra Group. We are targeting completing this restructure by the end of calendar year 2021. InfraCo Fixed would own and operate our passive infrastructure assets, ducts, fibre, data centres, subsea cables and exchanges.

Under our preferred structure, we would also establish separate asset co subsidiaries of InfraCo Fixed. InfraCo Towers would own and operate our passive tower assets. With strong demand from investors and compelling valuations for high quality infrastructure assets the time is right to review our options for unlocking value. We've already demonstrated our ability to successfully monetise infrastructure assets, particularly our exchanges and data centres.

Today, we take a further step forward through announcing an intention to monetise InfraCo Towers. We anticipate this will begin in 2021 and will follow a similar timeline to the rest of the restructuring process. We are confident we can do this while also preserving the strategic differentiation our world leading mobile network provides. This is because of the choices we have made on setting asset perimeters, as well as the intercompany agreements we have created which I will explain shortly. We also intend to maintain control over our strategic towers. Any transaction that we proceed with would, of course, be subject to being significantly value accretive for Telstra.

As we have done with previous transactions, the proceeds from any future monetisation will be assessed in line with our capital management framework and to deliver long term value for our shareholders we would consider earmarking proceeds to firstly maintain our balance sheet strength, followed by a focus on returning proceeds directly to shareholders, or potentially reinvesting in the business for growth.

In the proposed simplified structure, Telstra ServeCo would own and operate the rest of Telstra, including our Consumer and Small Business and Enterprise functions, along with all the elements of our network other than the passive assets. By defining the asset perimeter this way and keeping active elements of our network, such as the mobile radio access network equipment, spectrum, and fibre electronics within ServeCo, we are able to preserve the strategic differentiation we have built through decades of investment and innovation making us Australia's leading telco.

The restructure will be a multi-faceted process and need to consider a broad range of commercial, regulatory, and operational requirements. We will work collaboratively with shareholders, staff, customers, and other stakeholders through this process. We will provide an update on our progress at our half-year results in February 2021.

Turning now to the principles underpinning our intercompany agreements. We have created a set of intercompany agreements between Telstra InfraCo and Telstra ServeCo that underpin their ongoing relationship and support strong and sustainable earnings for both. These agreements ensure that both organisations benefit from the strengths and capabilities of the other. They're also designed to maximise overall value for Telstra shareholders. The first principle is business continuity. InfraCo will provide all passive infrastructure services to Telstra ServeCo at today's high level of quality. And Telstra ServeCo will support InfraCo on managing and optimising its operations.

The second principle is differentiation for Telstra ServeCo. As I just mentioned, the agreements and asset boundaries will maintain Telstra's sources of infrastructure-led differentiation.

The third principle is maintaining a strategic relationship. Telstra ServeCo will receive pricing and terms consistent with its status as a strategic partner and anchor customer of InfraCo and will commit to long term contracts providing certainty to InfraCo.

The fourth principle is market competitiveness. Ensuring both entities are competitive in the market with respect to supply and demand for passive infrastructure.

The final principle is that that Telstra InfraCo operates as a fully operational standalone business with its own dedicated leadership team, focused on delivering long term value for customers, and Telstra group shareholders.

We are confident we can have strong infrastructure businesses and maintain Telstra's strategic differentiation.

Let me now turn to Telstra InfraCo's financials. The left hand side of this slide displays FY20 InfraCo proforma segment view which includes the asset perimeter changes which were effective from 1 July 2020. This segment view of InfraCo includes both passive assets and active wholesale. This is consistent with how we manage the business today with Brendon leading a function that includes passive InfraCo and the active wholesale business.

This is reflected in our current segment reporting. The proposed simplified new legal structure is consistent with InfraCo Fixed and Towers being passive only infrastructure businesses. As a result, in the financials, the active wholesale business is assessed as part of Telstra ServeCo. The FY20 proforma InfraCo Fixed and Towers earnings reflect fully allocated costs consistent with them being a standalone business. The active wholesale earnings, however, do not include all costs of a standalone business. This includes costs for infrastructure including passive infrastructure. These costs sit in Telstra ServeCo.

For these reasons, assessing Telstra ServeCo earnings should be done by excluding only InfraCo passive earnings, not the segment view. This is shown on the next slide. There is one view of the Telstra Group's financial performance, and there will continue to be one view. Our focus will remain on delivering optimal financial outcomes and returns for the entire Telstra Group. We remain committed to our capital management framework, including balance sheet strength.

You can see on this slide the FY20 proforma breakdown between InfraCo Fixed and Towers, and Telstra ServeCo. At our first half FY21 results in February, our management reporting will provide disclosure of InfraCo passive-only earnings for InfraCo Fixed and Towers separately. This will continue to be a secondary disclosure, rather than include it in our primary product-based management reporting. It is important to note InfraCo Fixed and Towers is an economic, rather than accounting, view, which would include AASB16. As such, all lease costs are included as operating expenses.

Looking now at the financial attributes of InfraCo and ServeCo. Telstra InfraCo's passive infrastructure delivers high EBITDA margins with recurring, predictable, and indexed earning growth, largely from long term contracts, from NBN Co and Telstra ServeCo. This can be seen in the FY20 proforma EBITDA which includes \$820 million from NBN recurring DAs, and around \$700 million from Telstra ServeCo for passive infrastructure. Only two percent is from legacy, including copper related sources.

Telstra ServeCo has an ambitious growth profile with a lower capital intensity than the Telstra Group. After Brendon's presentation, I will talk in more detail about Telstra ServeCo's ambitious earnings profile from FY22.

In respect of our medium term CapEx to sales target for the Group of 12%, excluding spectrum, we are committed to managing the allocation of CapEx between ServeCo, InfraCo Fixed and Towers to achieve this outcome.

I'm going to hand over to Brendon Riley before I come back and close with a financial update. After that, Andy, Brendon, and I will take questions. So with that, I'll pass to Brendon.

<u>Telstra InfraCo – Brendon Riley</u>

Brendon Riley: Thanks very much Vicki, and good morning.

Well, Telstra InfraCo was created just over two years ago with three key objectives in mind. Provide greater transparency on the value of Telstra's infrastructure assets, implement strategies to improve asset efficiency, service delivery, and financial returns, and to provide optionality in an evolving industry. Our intent was to shape InfraCo to be a business with a set of performance attributes readily identifiable and aligned to a dedicated infrastructure company.

We're now at that point in our execution where the benefits of InfraCo are more apparent. For shareholders, InfraCo can respond to continued growth in fibre and mobile network roll outs and take advantage of structural and capital options to drive value.

For customers, standing up InfraCo as a commercial operating business affords easier access to our world class infrastructure, including a focus on improved service, and new products and solutions.

And for our people, InfraCo provides an exciting opportunity to be part of a new business focused on growth, our customers, and further developing our specialist infrastructure expertise all as part of the broader Telstra group. While we have much to deliver in the months and years ahead, today's presentation and announcements will see an acceleration in our efforts to make InfraCo an unqualified success.

At Investor Day a year ago, I presented this framework. We've executed strongly over the past year in a transitioning from building the business, to operating as a dedicated infrastructure business and preparing for asset monetisation. In looking back over the past 12 months, we've completed the work required to establish an operational InfraCo and it underpins the basis for today's announcements. The work has included refinement of the asset perimeter settings – which I'll cover shortly – establishing individual asset-based businesses, accountable for go to market offerings, financial performance, long term agreements and service delivery.

Creating a new organisation, including leadership appointments and the transfer of operational capabilities from networks and IT. Building a new financial and operational reporting system for InfraCo and each asset business. Putting in place long term intercompany agreements for asset-based services from InfraCo to ServeCo, our anchor tenant. Creating a core operations capability and operating efficiency program across all asset businesses. Building business plans to drive growth and productivity for each asset co and InfraCo overall, beyond our T22 commitments. And, updating our framework for risk, safety, and asset lifecycle management which builds on our established practices and involves InfraCo further.

The presentation today will provide updates from the stage one work including InfraCo asset financials based on restated FY20 results; and given the state of NBN completion and Andy and Vicki's earlier comments on our corporate structure, we will include the optionality work as part of stage two program going forward.

Given changes to the asset perimeter between InfraCo and ServeCo, we wanted to restate the overall financial profile for InfraCo for FY20. The new asset perimeter was effective from 1 July 2020. The asset perimeter changes announced at the 2019 Investor Day were mobile towers and poles and backhaul fibre with InfraCo resulting in a new total fibre view. Legacy copper and associated assets to remain with ServeCo. Minor changes to network supporting infrastructure, mostly around power-related assets.

We've also updated the financials to reflect the new asset charges between InfraCo and ServeCo as part of the intercompany agreements. The charges are based on market rates and reflect ServeCo's status as an anchor tenant, and the long-term volume commitments it is making. The original charges were put in place during FY18 when InfraCo was established as a reporting segment before the new operating business was created. When the FY20 results are re-stated for these changes, revenue and EBITDA declined slightly and net book value increases.

In the presentation, we'll also break out InfraCo's active and passive businesses. The active business is Telstra's wholesale business which provides a range of fixed connectivity solutions as well as mobile services for MVNOs. The restated FY20 numbers you see here include the active and passive businesses with active representing 38% of the total EBITDA.

We think it's important to split the two which we will do going forward, so it's easier to compare InfraCo with other dedicated infrastructure providers. It also shows that InfraCo's passive business has limited exposure to legacy copper-based business services which are progressively being substituted with NBN and other services across the industry.

I'd now like to move and discuss InfraCo's asset businesses in more detail. This table shows the restated FY20 financials for revenue and then ranges for EBITDA. The reason we've included EBITDA ranges is that we are continuing to refine our cost base as we stand up our passive Asset Cos as operational businesses. The InfraCo FY20 actual results did not reflect the increased opex from the operational transfers from N&IT into InfraCo. All the new skills and capabilities we are introducing to drive market facing business momentum.

By providing an EBITDA range, we can normalise for these changes and provide a better view of InfraCo EBITDA going forward and its relativity to global peers. We'll report the FY21 first half actual results for both revenue EBITDA by asset class at our results presentation early next year.

If we start at the bottom of the table you can see total revenue of around $4.3 billion. Total EBITDA of approximately $2.8 billion is the mid-point of the EBITDA margin range of 63 to 66%. If we now subtract the active business, you can see the InfraCo passive business with a revenue of close to $2.6 billion, and an EBITDA of $1.7 billion, which again is the mid-point between the margin range of 64 to 67%.

While there are some differences between InfraCo and other global infrastructure businesses, the EBITDA margin range compares well. Looking to the asset businesses, TowerCo has a revenue of $306 million and an EBITDA range of 63 to 67%. FibreCo, a revenue of $808 million, and an EBITDA range of 64 to 68%. Exchanges and Infrastructure which includes ExchangeCo, Data Centre Co, and DuctCo, has revenue of close to $1.5 billion and EBITDA range of 57 to 60%.

Subsea cables revenue is $156 million with an EBITDA range between 64 and 68%. Intercompany eliminations are $160 million, and these relate to asset charges between the asset businesses which net out at the total InfraCo level. Most of the $160 million are asset charges paid by FibreCo to DuctCo for duct access, as FibreCo sells duct space bundled with fibre to ServeCo and other customers.

I also wanted to highlight that in FY20, $874 million of NBN ISA revenue landed in the Fibre and Exchanges and Infrastructure portfolios, and this is consistent with what we've previously disclosed.

InfraCo is Australia's leading passive telco asset business across towers, fibre, exchanges, and ducts. Each business is unique, with long term customer arrangements and strong financial returns. TowerCo has around 8,200 towers, which is more an aggregate than any other provider across both metro and regional areas.

5,570 of our towers are mobile towers, and 2,630 towers are USO – Universal Service Obligation – and non-mobile towers. TowerCo is the largest builder of mobile towers in Australia having built approximately 1,000 towers over the past five years. And we'll have a long term arrangement to build and manage ServeCo's future passive tower infrastructure.

With 250,000 kilometres of optical fibre cable, FibreCo has the largest dedicated business fibre footprint in Australia, and will also have long term anchor agreements in place. Incremental opportunities exist to supply additional fibre to ServeCo, NBN and the industry, to support mobile expansion and business connections. InfraCo's largest cash generating business is the Exchanges and Infrastructure portfolio. The portfolio will have long term agreements in place with NBN and ServeCo, for duct, and exchange access, and can continue to rationalise and grow.

The portfolio has 1,500 exchanges with external tenants, of which 650 are suitable for growth to support distributed emerging technology solutions. It's important to note that 36 exchanges and one data centre in Australia have already been monetised.

Moving now to talk more about TowerCo which is led by John Lipton. TowerCo's business model is the provision and management of passive equipment including towers, large poles, rooftop towers, and power to huts to support active assets managed by tenants. TowerCo's focus is to drive operational efficiency, safety, and reliability of the Tower portfolio; to increased tenancy ratios by augmenting existing towers or selling available space. Build new towers and rooftops to support both ServeCo and industry expansion, including collaboration with FibreCo on backhaul expansion and provide transparency on performance metrics and investor returns.

As mentioned earlier by Andy and Vicki, we intend to launch a process to monetise towers during calendar year 2021.

Moving to the TowerCo financials in more detail, we have looked at many other tower businesses in different geographies. The key financial metrics which are reported and helpful to position TowerCo are the underlying EBITDA, capex and operating free cashflow. Going forward, we expect EBITDA margin in the range of 63 to 67% which is slightly ahead of the industry averages. Capex to revenue is close to the industry median in the 15 to 20% range; and a resulting operating free cashflow to net book value in the 28 to 37% range.

The overall Tower numbers show TowerCo's strong market position in all areas with significantly more towers than any other tower business in Australia. We've a total base of 8,200 towers, of which 5,570 are mobile towers and 2,630 are USO and non-mobile towers. Some of the towers are government co-funded in regional and remote areas, and therefore the tenancy ratios we are reporting, are for the 5,050 mobile towers that Telstra has owned and built outright.

The average tenancy ratio on existing towers today is 1.34. This is below industry average, and this is due to two main factors. Firstly, some of the existing towers have been built for ServeCo's sole usage meaning they cannot be physically hardened for additional tenants. Secondly, the intercompany agreements facilitate ServeCo's future requirements for 5G; and with 3G, 4G, and 5G all in operation, there was no additional space for additional tenants on some of our towers.

That said, the plan is to increase tenancy ratios on the existing portfolio and look to build new towers with multitenancy wherever possible. Our current plans are to build new towers with an average tenancy ratio of 1.5 to 1.6. This will bring our tenancy ratios closer to global industry averages over time, noting that tenancy ratios are specific to each geography. We're also simplifying our processes and pricing to make it easier for the industry to access our available portfolio and participate in joint tower builds. This is already unearthing some exciting new opportunities.

From an operating efficiency perspective, around 60% of the cost base is rental, land access, and government charges. TowerCo is well into the process of reviewing the entire portfolio, beefing up its inhouse capabilities in this area, and identifying medium to long term efficiencies. These include reducing the cost to build new towers, re-negotiating leases, and the use of new technologies to reduce maintenance costs.

Moving on to our FibreCo business which is led by Kathryn Jones. FibreCo has an extensive national fibre presence. This includes regional and inner-city fibre, inter-exchange and data centre fibre, business access fibre, and mobile backhaul fibre. FibreCo is the primary fibre provider to ServeCo and a significant fibre provider to NBN and the wider industry. Its priorities include providing simple market facing solutions to maximise network utilisation across all segments. Effectively managing capital to drive growth and lifecycle maintenance, and developing new use cases for dark fibre, data centre, and edge compute workloads. And providing transparency on performance metrics and investor returns.

In looking to the FibreCo financials, we expect EBITDA margin in the range of 64 to 68%, capex to revenue of 15 to 20% at the lower end of industry averages, and a resulting operating free cashflow to net book value of 9 to 11%. FibreCo has a strong market position in the business fibre market, and there remains opportunity to drive further utilisation with existing capacity and minor new builds, especially in the customer access market. FibreCo will have long term contractual arrangements with both NBN and ServeCo which underpin its market position.

FibreCo is responsible for the design, build, operate, and maintenance of all of ServeCo's passive fibre needs across the fixed and mobile portfolios. Fibre Co is further developing its approach to lifecycle maintenance of the fibre assets to optimise work-induced faults and fuel costs, including the use of predictive analytics to drive increased proactive performance.

The Exchanges and Infrastructure portfolio led by Rachel Johnson-Kelly includes ducts, data centres, exchanges, and other fixed network structures, such as portable exchange sites, repeaters, and supporting infrastructure. The ducts and exchanges play a crucial role in supporting the industry by providing duct space for national connectivity and powered racks and exchanges to facilitate active equipment and services. The exchanges can be broadly broken down into two categories: those to be rationalised as the NBN roll out completes, and the last 8% of the population – mostly on copper services – migrate to newer technologies over the long term. While the second category of exchanges will continue to support commercial arrangements as well as be a target for new use cases such as edge computing data centre services.

There will be significant safety, lifecycle maintenance, security, and community matters to be managed across the exchange portfolio. Given this, and the large number of exchanges set for rationalisation, the returns on the Exchanges portfolio is expected to be lower compared with ducts and data centres.

A significant attribute of the exchanges and infrastructure business is the high book value with tangible net assets of $7.2 billion. While we expect EBITDA margins in the range of 57 to 60%, CapEx to revenue will be in the 10 to 15% range and operating free cashflow to net book value in the 7 to 8% range.

Ducts is a low growth business but is a strong investor proposition due to the long-term contracts that will be in place, its stable market position and strong operating-free cash flows.

We've recently launched a new automated Duct reservation system which has significantly increased speed to market for Duct access for all of our customers. We've monetised one of our data centres in Australia, being Clayton, and we have further opportunities to increase utilisation in both our data centres and also in the data centre facilities in some of our exchanges.

We've already active interest from customers in taking up additional rack space in our data centres. Nine of our exchanges have data centre floors that also creates opportunities to provide more high-power density services.

On the exchange portfolio, we currently have around 1,500 exchanges with external tenants, of which 650 exchanges will support new use cases such as edge compute and growth in regional data centre services.

We are working with ServeCo on its edge compute requirements and we also believe these sites will be attractive to other customers.

In terms of operating efficiency, we will focus on land costs, more efficient building management and monitoring, site optimisation and rationalisation. And of course power consumption and efficiency. With our data centres, we see an opportunity to bring our power utilisation efficiency, or PUE metric, closer to industry standards. We will also continue to explore property divestments where we believe there is an attractive return from sale of the land. We will provide information on the exchanges and infrastructure portfolio as part of our first-half results announcement.

As announced earlier, we will look to launch a process to monetise TowerCo during calendar year 2021. TowerCo will be an independent operating business. It will be the first of the Co's to be established in this way. We are well advanced on our operational program of work and the key initiatives underway include verification of all tower structures and land tenure for all our sites, building out the TowerCo team with some selective specialist capabilities, and implementation of an off-the-shelf tower asset management system, which is the same system used by many other global tower companies.

We're also redesigning our internal processes to improve how we work with ServeCo and other customers to meet their tower requirements. We have site acquisitions and designs underway for new tower sites and are working closely with ServeCo as our anchor customer, to support their 5G rollout. We expect the majority of our program of work to establish TowerCo as an independent operating company to be complete by the end of financial year 2021.

In light of today's announcements, we will commence discussions with employees, customers and major stakeholders in the coming days.

In closing, I wanted to leave all investors with three key take-outs. We tabled a plan at last year's Investor Day. We've executed strongly and we've built good momentum in Telstra InfraCo. We're now an established operating business and are commencing the next stage of structural changes. InfraCo has a fantastic [set] of diverse at-scale assets. Each asset Co has strong financials, established long-term customer agreements, and the businesses compare well to global peers. We have a fantastic new team with a rapidly emerging infrastructure, mind-set and culture. We're committed to driving the growth of InfraCo, building the metrics, operating efficiency, transparency – all the things you wish to see – and of course respond to the market shifts and opportunities that emerge.

I look forward to presenting our inaugural first-half results as an operating business in February and provide more colour on the asset Co's and more of InfraCo's plans for the future.

Thanks very much, and with that I'll pass back to Vicki.

<u>Financial Update – Vicki Brady</u>

Vicki Brady: Thanks very much, Brendon. As I mentioned, I wanted to close today's presentations with a brief discussion on the momentum we are building in growing underlying EBITDA, and discuss our FY21 guidance.

As Andy has spoken to many times before, as did our Chairman at the AGM last month, our view is that in order to support a 16 cent dividend under our current capital management framework, we need to achieve underlying EBITDA in the range of $7.5 to $8.5 billion by FY23. While we do not provide financial guidance beyond the current financial year, our management team understands the importance of this range and it is our ambition to deliver results within it.

If we are successful in delivering a result towards the bottom end of this range, it would equate to a ROIC of around 8%. We took a conservative approach in August setting our FY23 ROIC target at greater than 7%. With the increased confidence outlined today, we are updating our FY23 ROIC target from greater than 7% to approximately 8%, and we will continue to pursue opportunities to achieve a higher ROIC closer to our original target under T22.

You've already heard today from my colleagues, so let me briefly reiterate how their work is contributing to our confidence. We reported underlying EBITDA of $7.4 billion in FY20 and have guided to $6.5 to $7 billion in FY21. We believe we will turn underlying EBITDA back to growth in FY22, with the building blocks in place to achieve medium term EBITDA consistent with our ambition.

In our mobile business we have an enormous opportunity to capitalise on a new multi-year cycle of growth driven by 5G, thanks to our clear market leadership. Transacting minimum monthly commitment, our leading indicator of ARPU has continued to grow in FY21. This and other factors supports confidence that we can achieve second-half FY21 mobile ARPU and EBITDA growth.

In our fixed business, the NBN headwinds we have faced are tracking as expected and we will be largely complete by FY22. We have a plan to improve our fixed EBITDA by firstly targeting mid-teens NBN resale margins in FY23. Secondly, managing the economic impact of the legacy copper network by limiting losses to less than $100 million per annum. And finally, accelerating on-net solutions, including by leveraging our mobile network.

Our focus is on bringing our total Enterprise business back to growth in FY22, across mobile data and IP, NAS and international as a whole, as you've heard from David today. We remain on track to deliver our productivity target of $2.5 billion in reductions by FY22 and see further opportunity beyond this point.

And on the financial impacts of the COVID pandemic, measures including levels of bad debt remain within our expectations. In the medium term, we expect adjacencies such as Health to continue to contribute to our turnaround.

Given these trends, we have increasing confidence that our underlying EBITDA ambition is achievable, and is the right level of ambition to be setting ourselves.

Turning now to a more detailed view of productivity. We continue to target $2.5 billion in net productivity by FY22. We delivered $1.8 billion of this from FY16 to FY20. This year, we will deliver another $400 million. The $2.5 billion target is a net figure, which includes absorbing all inflation, reinvestment, reduction in legacy network costs, and COVID-19 impacts.

Our cost reductions in FY21 are expected to be achieved predominantly through indirect and direct labour, enabled by the shift of customers onto digital sales and service channels, along with a strong focus on vendor costs and workforce efficiency. An example of the productivity improvements we are making is the optimisation of some of our field service teams and vendors. Historically, tasks were tendered and scheduled in a reactive and discreet manner. Now, through proactive forecasting, vendor management, and enhanced scheduling techniques, we are optimising the sequencing and prioritisation of this work, to enable similar types of work in similar areas to be scheduled together. This is helping us bring our costs down.

Direct labour cost reductions, which we deferred until February 2021, will deliver a full year of benefits in FY22. Other FY22 cost reductions are expected to come from product rationalisation, platform simplification, increased customer self-service through digitisation, and incremental indirect labour reductions.

It is important to recognise that the transformation of our business which T22 delivers, also enables ongoing productivity benefits beyond FY22. For example, as we migrate our customers and products to our new digital stack, we will continue switching off our legacy IT systems. As we do this, the associated support and maintenance activities can also be switched off. The new products and customer experiences we are launching are also focused on straight through ordering and self-service, enabling further rationalisation of some of our support activities.

Let me finish by turning to our FY21 guidance. We reaffirm our FY21 guidance provided to the market at our FY20 full year results in August. However, as outlined in our FY20 results, I want to reiterate that we expect FY21 underlying EBITDA to be weighted to the second half, with cost reductions, COVID impacts, and product trajectory, especially mobile, all more supportive of improved second half performance.

Given the evolution of our business and our desire to deliver better clarity for the market, we are considering changes to our product hierarchy for our first half FY21 results. If we proceed with any changes, we will provide more details before our half year results. Thank you. And I will see you in just a moment for Q&A.

__Second Q&A Session__

Ross Moffatt: Welcome back. We'll now move to our final Q&A session, and Taylor, do we have any questions on the line, please?

Moderator: Yes, thank you. Please go ahead, Kane.

Kane Hannan: Thanks, morning, guys. Just another three from me, please. Firstly, just again on the 8% ROIC target for FY23, just interested if there's any comments you can make around the phasing of the growth profile from here? I take the point around returning to growth in FY22, but it looks like it needs a decent step up in FY23 to hit that target. And I suppose whether you'd need to be at the top end of your FY21 guidance to make that a plausible target?

Secondly, just remembering the issues you guys ran into monetising the NBN payment stream, interested if you'd talk about any of the regulatory or other requirements you will need to progress the initiatives announced today?

And then finally, just the TowerCo financials and that co-tenancy target you were talking to. So if you were to increase the tenancy from 1.34 to 1.6, is it right to think about an additional $50 million in revenue for that business, and any reason why that wouldn't be 90, 100% for the margin revenues? Cheers.

Andy Penn: Hey, Kane, it's Andy, thanks very much for the questions. I might talk about the approvals one, and then go to Sydney to Vicki and to Brendon to maybe comment on ROIC and the utilisation questions?

So one of the things that I said in my address was that we're very conscious that there's a lot of stakeholders that will have an interest in the restructuring that we're doing. NBN's obviously a very important stakeholder, as is the Government. But then there's also a range of other customers and partners as well.

So we announced it today so that we can actually be very consultative in terms of the way in which we do this, including working through what approvals we need. And that will be a little bit of a function of the feedback that we get, and also, ultimately how it is structured. You can assume that we've reached out to those relevant stakeholders to start those conversations. But that's something obviously, that we've got to work through over the next period of time.

But we do see a way through us being able to put in place to the structures that we've outlined today. But it's really important that we do so in a way which is considerate and respective of our stakeholders, and ensuring that we don't put them in any worse position than they would have otherwise have been. And I think we're confident if we can do that we've got good relationships that we can navigate our way through all those approvals, including ultimately considerations around what shareholder approvals may be required, as well.

But with those comments, I might pass to Sydney and to Vicki and to Brendon to talk about ROIC and the Tower utilisation.

Vicki Brady: Great. Thanks, Andy. And thanks Kane for those questions. Why don't I take the ROIC one, and then I'll hand across to Brendon for the TowerCo related question.

So Kane, on ROIC. Yeah, just to add some colour to that. So, as we've talked about, we see a return to growth in underlying EBITDA in FY22. And our ambition on our ROIC target is approximately 8%. And as we've said, towards the lower end of that $7.5 to $8.5 billion range, you're at around that 8% ROIC number.

Just a few things I would add to think through in the phasing. So firstly, obviously we've got a strong track record on productivity. So that continues, and we've been clear on those targets to the end of FY22 with seeing potential beyond that. And as Andy said earlier today, beyond '22, that's likely to be in the hundreds of millions per annum. So that's an important metric.

Mobile turning. So the second half turn on mobile, ARPU and EBITDA is obviously critical, and that will continue to build, we expect, given current trends at the moment. Now, obviously it's always subject to the competitive environment longer run and needing to compete in the market, but we're seeing good signs as Michael has spoken about today.

And then the third piece I would add, we've set an ambitious goal for FY23 around our fixed business, particularly NBN resale margins, limiting the losses on legacy and on net acceleration, plus the NBN headwinds. At the end of FY20 we were around 75% of the way through them. We know by the end of this year, NBN headwinds tracking as expected, we'll be over 90% of the way through them. So, as you're thinking about the phasing, I think there's some important aspects to keep in mind and maybe give you a little bit of a sense of how we're thinking about it. And Brendon, I might go across to you on TowerCo.

Brendon Riley: Yeah, thanks Vicki and thanks Kane for the question. Yeah, increased tenancy will drive accretive revenue and EBITDA for the business. And we've built that into the TowerCo business plan going forward. I'm keen to get our first half of actual results behind us before we start to break the numbers down a little bit more in terms of what that would yield. I'm not sure it would be at the level that you mentioned, but it will definitely be a meaningful increase in revenue in EBITDA if we're able to hit those tenancy ratio increases.

Moderator: Thank you. Your next question comes from Mr Eric Choi from UBS. Please go ahead.

Eric Choi: Thanks again. All my questions are on InfraCo. So just the first one, in terms of the capital structure of the three entities, is there any capacity to take on additional debt, say to fund buybacks, and how sacrosanct is that A band rating across the three?

The second one, just can you talk about monetisation options around TowerCo? Are we sort of thinking about an in-specie distribution, or 100% sale of those assets? Because I just worry if we do a sell and lease back of say only a partial percentage stake, the market may not attribute as much of a valuation uplift.

And then just lastly, theoretically, I know this is not what's being considered today, but if we were to fully separate ServeCo and InfraCo, what would this entail in terms of additional back end costs that would need to be put into InfraCo? Thanks.

Andy Penn: Thanks Eric. Let me make a couple of comments before handing over to Vicki and Brendon in Sydney. I think firstly in relation to Tower, I'll let Vicki and Brendon talk about structuring, but what's really important, and we both have elaborated on this point in our presentations, both Vicki and I, is that we protect our strategic differentiation in mobile network leadership.

And we're doing that in a number of different ways. We talked about the passive – or rather the active aspects of our network being in ServeCo, so that's the spectrum licences, it's the radio access network, it's the software defined functionality and capabilities as well as not necessarily treating all towers the same. And Brendon's talked about this in some of his presentations as well, some of them are subject to mobile black spot programs, some of them we've got to do more due diligence in relation to the lease holds and the land on which those towers sit. But clearly there's a great opportunity to increase utilisation as well. So the structuring's obviously got to take those factors into account.

And then on your last question which is were you to completely demerge effectively InfraCo from ServeCo, what incremental costs would that drive? I mean, yes, I guess there would be some incremental costs in the sense that at that point that would effectively be two listed companies, pre-supposing they're both listed, but I assume that would be the case, two listed companies. So you'd have to carry all of those governance and overhead costs of doing that. I mean, I think beyond that, or rather excluding that, we're doing a lot of the setting up of the structures to ensure that those companies can operate relatively independently of each other anyway internally.

And yes, that will obviously require some duplicated cost, but we believe that the overall productivity we're getting as an organisation holistically will more than offset that. So when we're talking about productivity, hitting what we need to hit for T22, the productivity beyond T22 that Vicki has spoken about, that is after taking into account any duplicative costs associated with setting these things up within the context of the Telstra Group.

As you say, if you went a step further, which we're not saying we would do that, are doing that, or even would do it in the future, whereas I've always said and we've always said this is actually about creating optionality for the future. But if one were to do that, then I think, as I say, it would be the duplicative governance costs associated with running a large public listed company, essentially two times, if I can put it that way.

But Vicki and Brendon, maybe hand to you in Sydney to comment a bit more about the capital structuring thoughts.

Vicki Brady: Yeah, absolutely. Thanks Andy and thanks Eric for the questions. Let me comment on the first couple and then I'm sure Brendon will have more to add.

So, just on your first question, you've jumped straight to the likely capital structure of the three entities. The first thing I would say is we've obviously announced our intentions today early, and so those legal restructuring we don't expect to come into effect until towards the end of next year, December 2021. So it's probably a bit early to jump to that, that's part of the work we'll work through over the next 12 months.

But what I would say, certainly as Telstra, we have an exceptionally strong balance sheet, which is very important and key to our capital management framework. We're confident there's a path to both strong proceeds and maintaining our rating. So I'd just provide those comments on that one.

On your second part around TowerCo monetisation, you mentioned in-specie distributions. Look again, that's going to be part of the work over the process that we will commence in 2021, in terms of how we monetise TowerCo. And the comment I would make is obviously we'll look at considering those proceeds in terms of firstly maintaining our balance sheet strength, secondly looking at the most efficient way to return funds to shareholders and finally, as I said, potentially some reinvestment in the business for growth. So I might just – maybe those comments help a little bit, and pass across to Brendon.

Brendon Riley: Yeah, thanks Vicki. And Eric, just to pick up on what Andy's already said, if we were to get to a point to do a separation of InfraCo, the single biggest cost that we'd need to go to work on would be in and around IT, and around the IT platforms. The approach we're taking at the moment, the approach I'm working very closely with Nikos on is we're just doing it asset by asset, and obviously Tower is the first. We're taking a very light touch approach to that, a very agile approach, a simplified approach.

So I said in my comments, we'll stand up a new asset-based management system for that Towers business, which we didn't really have in the form that we needed it for in terms of looking to do a monetisation. But that would be the single biggest item, but our approach as you've seen pretty consistently, is working through this in stages and managing it.

Moderator: Thank you. Your next question comes from Entcho Raykovski from Credit Suisse. Please go ahead.

Entcho Raykovski: Hi all. So to start with, just wondering if you can give us the NBN recurring payments split across the InfraCo asset classes? I mean, I'm assuming most of it falls into exchanges and infrastructure, but I don't know if you're able to give us the exact split between say exchanges and infrastructure in FibreCo.

Then secondly, just wondering how you can practically increase the tenancy ratios, particularly on existing towers, and obviously conscious that both Optus and Voda have a network in place. So just wondering what you can do, obviously and maintain your competitive advantage at the same time?

And then finally, Optus are also reported to be pursuing a TowerCo spin out. I guess, how are you thinking about that and whether it dilutes the value which can be attached to the Telstra TowerCo. I mean, I assume they'll also be looking for a commercial return and there will be some competing infrastructure.

Those are my three. Thank you.

Andy Penn: Thanks, Entcho. The good news is as we look forward into the future, the demand for telecommunications connectivity is insatiable, so I think there's going to be demand for ongoing build-out of infrastructure and new towers, which Brendon's already referred to. But with that sort of brief comment of introduction, I might just hand those questions up to Vicki and to Brendon.

Vicki Brady: Thanks, Andy, and thanks, Entcho for that. Why don't I just comment on the exact splits of the NBN recurring amounts, and then I'm sure Brendon will take the other questions.

So firstly, we haven't provided those splits. I think if you take a look at Brendon's material you'll see on the pie charts some indication that that's part of what we're considering as the first half disclosure, so no exact splits today. But I think there's a fair bit provided in the materials that gives you a good indication of how that will split out. And Brendon, do you want to jump on the other one?

Brendon Riley: Yes, so on the tenancy ratios, so the good news is we already have a set of towers that have space, so we're obviously talking to the industry about that and making that information more accessible, so we can drive more increased tenancy there. Second is we can look to harden some of the towers that we have. Not all of the towers we have can do that, but we can harden some of the towers to provide more access. And then obviously a third is we build new towers but we build with sharing in mind. And I know ServeCo is very keen to do that, as is the industry.

On the last point in terms of there being another process in market, I think we've seen the asset valuations on the Tower assets continue to be very, very strong around the world. There's a huge amount of interest in these assets. We think we've got the biggest portfolio, the most diverse, the greatest geographical reach. We've been the biggest builder of towers. We've got fantastic in-house expertise, so I feel pretty confident on the process once it's launched.

Moderator: Thank you. Your next question comes from Mr Sameer Chopra from Bank of America. Please go ahead.

Sameer Chopra: Right. Just have one question. Andy, Vicki, just in terms of, you know, when you look at the TowerCo asset monetisation, how do you think about how much you want to monetise, whether the percentage is 10%, 15% or more like a 49%, which was closer to what you did with the exchanges? How do you think about the ranging? Is it driven by price, is it driven by control? If you can shed some colour on that, that would be helpful.

Andy Penn: Thanks, Sameer. Maybe I'll make a comment and then see if Vicki wants to add anything. I think maybe just two things I would say. Firstly, preserving and maintaining our strategic competitive advantage is paramount. And then, beyond that, then I think we want to maximise the extent of monetisation to ensure that we actually leverage as much value as possible. And so I think if we can ensure we've got that competitive protection and organised in that way, then I think it makes sense to maximise the value release that we can. Vicki, I don't know if you'd add anything to that?

Vicki Brady: Yes, I'd just add to that, Andy. As you said, and Brendon's just spoken about, we've got such a strong TowerCo business, such a compelling portfolio of towers, and given the attractive valuations today, that will be part of the process, Sameer, as we work through, which we launch in 2021, to look at monetisation. We want to make sure, as Andy said, we unlock maximum value, and we're confident we can retain our strategic advantage in our mobile business through where we've set those asset perimeters, through the intercompany agreements and, as Andy said, through maintaining control of strategic towers.

So that will be part of the process and we're going to work through all the options, and I'm sure there'll be many options come to us as we work through that. So we're pretty open and that's how we're thinking about it.

Moderator: Thank you. Your next question comes from Mr Craig Wong-Pan from CLSA. Please go ahead.

Craig Wong-Pan: Morning. Look, I'll be honest and say I haven't been able to dial in to the whole presentation, so sorry if these questions have been asked earlier. But just on slide 48, that last point about monetising TowerCo, I just wanted to clarify, has a decision actually been made to monetise it? Or is that last bullet point about going through the process of establishing these separate legal entities with the potential to monetise?

Second question. Could you provide any comments around your first quarter mobile subscribers, like how many net adds you had? Because typically, in the past, you've given that number. And then third point to clarify, just on the growth, the second half growth you expect in mobile, ARPU and EBITDA, could you clarify if that growth excludes the impact of roaming, and also if that's a year on year growth rate or a sequential growth rate? Thank you.

Andy Penn: Thank you. Maybe I'll just take the first one and then hand up to Vicki, who can comment on the mobile point. But in terms of a decision to monetise the Towers, yes, we've made a decision that that's what we're going to do. Now, we've obviously got to work through the process, and I don't anticipate us running into any roadblocks, but in principle, that is a decision that we've absolutely made. And we've got to set up the structures now to enable us to do that. So we're not announcing that we're going to go through a process to decide whether we are or we're not going to, we've made a decision in principle, that's what we're going to do. We just need to work through the logistics and the legal and the structuring to do that in the most effective way. But Vicki, are you happy to take the other the other questions?

Vicki Brady: Yeah, absolutely, Andy and Craig, thanks for those questions. So if I just talk to the first one, you asked about have we provided any update today on Q1 net adds. We haven't provided that today. It's obviously been a little bit of an unusual year with the COVID impacts and the various lockdowns around the country at various stages.

So Michael did talk earlier today, however, about the momentum we're seeing, pleasing momentum in transacting minimum monthly commitment continuing to lift in FY21, up another $2. And also, the traction we're seeing with the new iPhone in market, which is 5G, and our leading position in 5G obviously puts us in a great position. So we haven't talked to net add numbers today. But we did talk to those other items.

Then your last question about second half ARPU, mobile ARPU growth and mobile EBITDA growth, does it include roaming? It does, even including roaming, and it is on a PCP basis. So not sequential, but looking PCP.

Moderator: Thank you. Your next question is from Mr Ian Martin, from New Street Research. Please go ahead.

Ian Martin: Thank you. Gee, a lot to go through there, a lot to digest. Just in terms of the monetisation of Towers, is one of the options you're looking at perhaps some kind of securitisation of the cash flow without necessarily ending ownership? A bit like what you were looking at with the NBN infrastructure lease some time ago, rather than just a sale?

And secondly, as you move towards that monetisation, I'm interested in how you manage the trade-off between the Tower company's interest increasing tenancy, versus the value in Telstra retaining whatever network advantages it has. Is that done through some kind of anchor tenant arrangement, long term tenancy, and so on?

And thirdly, Towers themselves and access to Towers isn't regulated, access regulated. But we've seen both in Australia and New Zealand, when we go through this privatisation process, there's one access arrangement before the sale, and then the regulator backflips afterwards and says, "Well, we're going to regulate it quite differently. We saw that with T3, we're seeing it with New Zealand, with Chorus at the moment. So I just wonder, to what extent we've had discussions with the regulator about these arrangements, and how reliable they might end up being for investors?

Andy Penn: Yeah, look, thanks very much Ian. Again, I'll pass to Vicki, who can talk about how we've approached this dynamic of making sure on the one hand we maximise the value that we can achieve from monetisation. On the other hand, the reality is Telstra ServeCo is an incredibly important customer of the TowerCo. So by definition, the arrangements that are in place there are very important in terms of how Telstra's needs are met in the context of setting up. And Vicki talked a little bit to some of the principles that we've been using to put in place the intercompany agreements to give effect to that, but I'll pass it to them to provide those comments further.

I mean, from the regulatory standpoint, you can assume that we've got good relationships with our regulators, and we engage with them, and we've obviously pre-briefed them on things that we're going to announce and decisions that we're making appropriately. But those consultations would be things that we would enter into now to understand any concerns or any issues or questions that they may have. And obviously, we would have a mind to regulatory implications of what we may be doing in terms of the way in which we're structuring it.

And so to some extent, it would be nice to come out and announce, "Right, this is what we're doing. This is exactly how its structured. This is what it actually means at a practical level. And this is when it's all going to complete". The flip side of that, though, is that the challenge, it is difficult to really engage and have an open and consultative approach with all of the key stakeholders, customers, the NBN, the Government, the regulators, without actually communicating it first, because otherwise, as you know, things will leak, and people will speculate and we'll be put in an awkward position.

So we've decided what we would do is take a proactive approach now, and say, "This is the end outcome that we're seeking to achieve, we believe it is achievable". We've obviously done an enormous amount of due diligence, we've also already done an enormous amount of work of setting up, just standing up InfraCo as a standalone business unit, and a lot of that intercompany work has already been clearly done. But we now need to go through that consultation to tackle the very specifics of how we monetise, the very specifics of the structure, how that addresses any regulatory concerns, what approvals we may or may not need from any of the key stakeholders. So that's stuff that we're going to work through now, and we'll obviously keep a dialogue with the market in terms of how that's progressing. But Vicki and Brendon, anything that you would add?

Vicki Brady: Yeah, thanks, Andy, for that, and Ian, just to touch on your question of the balance, the balance between TowerCo and maintaining our mobile network advantage, that's been absolutely critical in our thinking. And I spoke a little bit about today that firstly, where we set the asset perimeter is very important. So TowerCo being a passive-only infrastructure player, so the active components, the radio access network, the spectrum, being on the ServeCo side, we think is very important.

Secondly, under our intercompany agreements, I did go through the principles, and you mentioned anchor tenant status. And yes, under our principles, that strategic relationship between TowerCo and ServeCo is critical. And that includes the status as an anchor tenant. So that remains very important. And so we're confident we've got all the things that underpin to get that balance right for us at a Group level. That's been critical in the work we've done to date. And so where we set the asset perimeters, the intercompany agreements we've created, absolutely gives us that confidence.

You also asked a question about in terms of as we look to monetise TowerCo, what options are we considering? Look, we will kick the process off in 2021. And we will always retain flexibility as part of that process, we'll look at all of the options available that gets the maximum and optimum outcome for Telstra overall. So that will be part of the process we'll work through. And, Brendon, I don't know if you wanted to add some more comments?

Brendon Riley: Yeah, just maybe a couple of things on the Tower side, Ian. What I said in my comments is that ServeCo has got the reservations it needs on the InfraCo towers for its 5G rollout. And obviously, 5G is one of those big generational upgrades.

When we look at tower-sharing models around the world, and maybe something that hasn't been focused on quite as much in the comments today is the operating efficiency side. So typically, if one tenant is on a tower, and then another tenant comes along and is added to the tower, then there is a benefit back to the original tenant in terms of reduced charges and operating efficiency. So we've really looked to build that in.

And then the final item which Vicki highlighted in the principles is, TowerCo has to be competitive. So it'll be operating in the Australian industry, the global industry, and it has to be competitive in everything it provides ServeCo. Thanks.

Moderator: Thank you. Your next question comes from Mr Brian Han from Morningstar. Please go ahead.

Brian Han: Andy, sorry to labour the point on the intercompany issue, but have the intercompany arrangement details, have they been all determined? Or are you just still talking about the principles of maintaining differentiation and all that?

Andy Penn: No, they have been, they've been determined, and we've done an enormous amount of work on the intercompany agreements. I mean, again, Vicki and Brendon can talk to it in more detail. But the principles that we're talking about are the principles that we have used to inform that work, not that that work's about to start. But Brendon and Vicki, do you want to maybe comment further?

Brendon Riley: No, Andy, you're spot on. So they're at a very high 90th percentile stage of completion, and we expect to have them finalised, towers completely finalised in the very, very immediate term, the others not long after, and then the one that we're probably got a little bit more work to do is the undersea cables.

Moderator: Thank you. Your next question comes from Ms Jennifer Hewitt from Australian

Financial Review. Please go ahead.

Jennifer Hewitt: Morning. I just wanted to ask [inaudible] and the relationship with Telstra. You used to be very critical, Andy, of NBN's pricing structure, and how it made it so difficult for you, given the need to get a return on assets. And that would actually mean a massive write-down of the value of NBN. I'm just trying to understand what's changed in that equation? Is it NBN, or is it Telstra?

Andy Penn: Thanks very much, Jen, I think I got all of your question there. But let me answer, and then if I've missed something, please do follow up. I mean, so we are targeting a mid-teen, EBITDA margin by FY23, and we've got to do a lot of heavy lifting to get there. And that's a lot of process improvement, a lot of cost out, as well as trading customers up.

But the NBN pricing structure will continue to put pressure on margins, and also on retail prices, because basically, the CVC is essentially uncapped. And if you just model it through based on data volumes, the CVC charge will ultimately just continue to eat into retail providers' margins, unless, we ultimately increase prices way ahead of inflation rates.

So the point is, we can see a path to try to get to mid-teens by FY23. But it's going to continue to be very, very problematic if that top pricing structure doesn't change, because the CVC charge is just purely going to ultimately be a function of data volumes, and which you look at into the future, most of us are predicting data volume growth of 20% plus on the fixed network for a long period of time, and that's just going to continue to be a headwind to effectively adoption in the digital economy.

Jennifer Hewitt: Does that mean to get to your margins, prices are going to have to go up for customers?

Andy Penn: Well, ultimately, that will be the case, because the CVC will just continue to escalate. Now, today, we sort of get into this cycle where NBN has either provided some discounts on CVCs, which in fairness to it, and credit to it, it has this year because of the big kick up as a consequence of COVID. But it's still basically its stated pricing structure and its stated pricing model is to continue to have that, which if you just model, literally if you just put it into a model and you flow it through, or rather you flow through a reasonable projection of where data volumes go, what we'll see is NBN ARPUs will increase materially and they'll increase materially ahead of inflation.

Moderator: Thank you. There are no further phone questions at this time. I'll now hand the call over to Ross to ask another question.

Ross Moffat: Thank you, Taylor. This is our final question. And it comes from Simon Dux at Communications Day. How do you achieve mid-teens NBN resale margins without increasing prices? Does this mean Telstra is planning to achieve those margins by rapidly increasing 5G home broadband services?

Andy Penn: No, well, thanks, Simon. I'll make a couple of comments and see if Vicki wants to add anything. So our NBN reseller margin, by definition, does not include fixed wireless, because fixed wireless is not NBN, if that makes sense. So it doesn't include fixed wireless. And we're doing it through a combination of really leveraging the very significant investments we've made through our T22 program in digitisation, to really continue to streamline the process of activation and serve and assurance, through continuing to get improvements in the efficiency of the cost to connect process as well.

And then ultimately, as well, and we heard from Kim earlier in terms of moving customers up into higher tier speed plans as well, it would be a combination of those strategies that we will use to get to the mid-teens position. But Vicki, anything else to add from your end?

Vicki Brady: No, Andy, you've done a great job covering that. And I would just say absolutely reinforce there is a lot to do on our side and a lot on the cost side, which we've got plans underway. And so a big part there on the efficiency side for us to drive to get to those mid-teens margins.

Ross Moffat: So thank you everyone for answering the questions today. Before we conclude, Andy, is there any closing comment you'd like to make?

Andy Penn: Oh, no, just thank you to everybody for investing the time with us, for listening in. It's always a good opportunity to take Investor Day, which is a day which is off-cycle from the results, when we can talk a little bit more about strategically what our plans are, what we're trying to do, rather than necessarily just the focus on the financial results for the past period.

As I said in my introduction, I think we're at an important point in our overall journey and our overall T22 program. We're closer to the end than we are to the beginning. And importantly, FY21 is the low point in the year of us absorbing the impact of the, the economic impact of the rollout of the NBN, and we can see our way through to growth from FY22 in underlying EBITDA and beyond. And we're very focused and committed on doing everything that we can to get our underlying EBITDA into that $7.5 to $8.5 billion range, and hit an 8% ROIC, because that's ultimately part of the overall investment equation for our shareholders to support a 16-cent dividend.

And you can see we've made very, very considerable progress with InfraCo, and that third objective of increasing optionality is starting to really now materialise itself through the work that we've done and all the plans for next year.

So a big six or 12 months ahead, and we look forward to continuing to keep the market updated. So thank you everybody for hooking in, and thank you to my team for all of the great work that they do for our customers, and in support of driving these changes for our shareholders as well, and we look forward to catching up again soon.

END OF TRANSCRIPT