

# Optus Investor Day: Optus Overview and Strategy

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Chief Executive, Optus

5 July 2010

## Forward looking statements - important note

The following presentation may contain forward looking statements by the management of SingTel Group relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingTel Group. In particular, such targets should not be regarded as a forecast or projection of future performance of SingTel Group. It should be noted that the actual performance of SingTel Group may vary significantly from such targets.

**Video: "Lemonade" TVC**



## Today

- 1 Optus overview
- 2 FY10 performance
- 3 Future opportunities and strategy

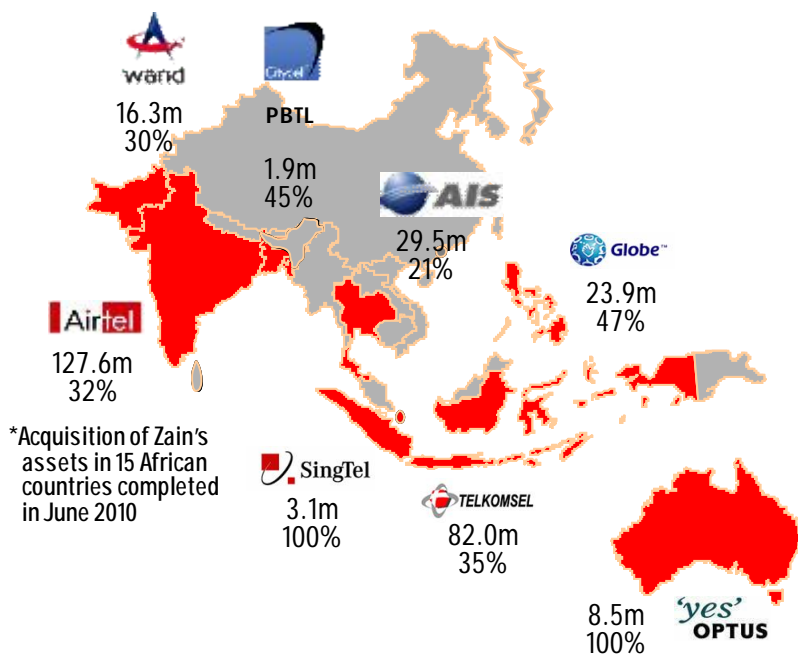


# Today

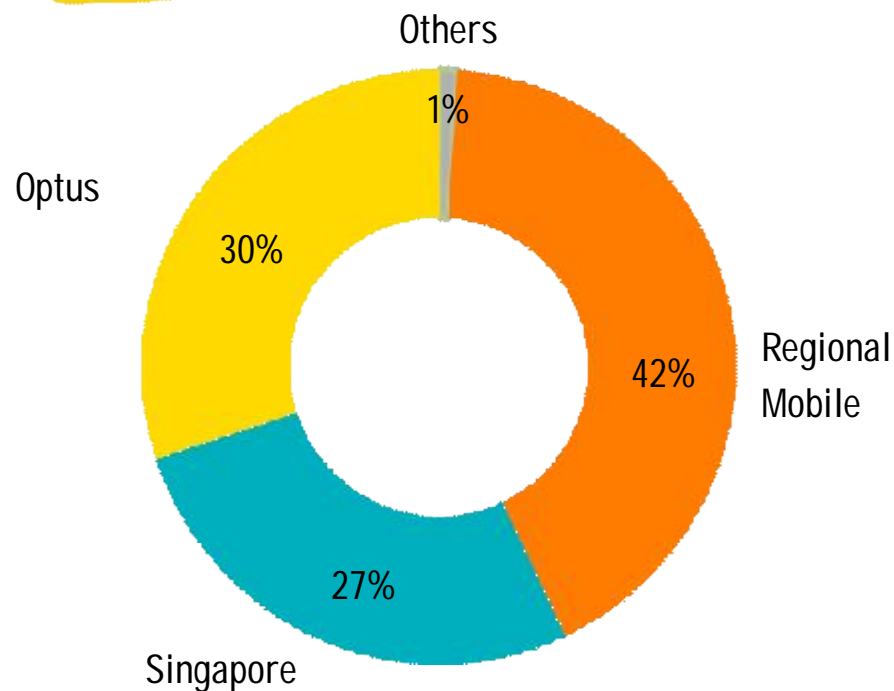
- 1 **Optus overview**
- 2 FY10 performance
- 3 Future opportunities and strategy

# Optus: integral part of an extensive group

SingTel: major mobile operator in Asia **293m subs<sup>1</sup>**



Optus' contribution to proportionate EBITDA<sup>2</sup> **30%**



1. Mobile customer numbers and SingTel's stake as at Mar 10, except Globe customer numbers as at Dec 09

2. Consolidated EBITDA plus proportionate share of associates EBITDA – 12 months to March 2010



## Optus today

- 8.5m mobile customers
- 1m telephony customers
- 980k fixed broadband customers
- Key Business customers include ANZ, News Ltd, Defence and ATO
- Key Wholesale Partners include Woolworths, Dodo & TPG

### FY10

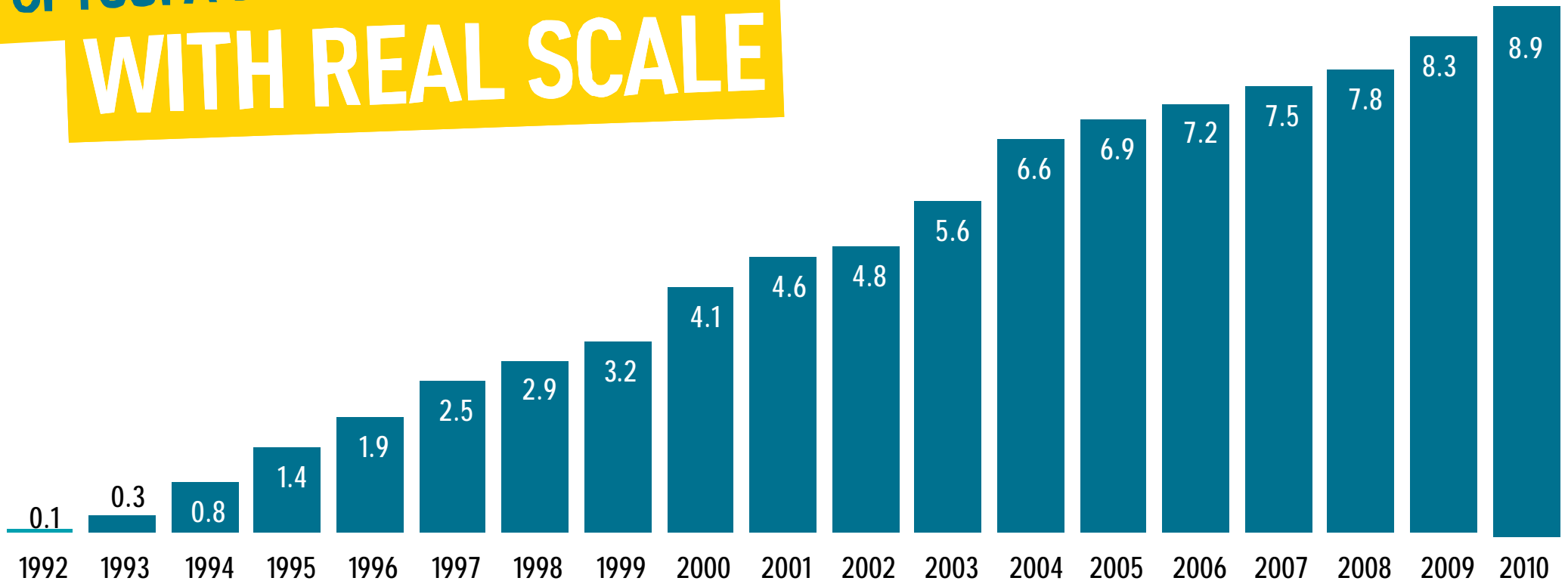
- \$8.9bn Revenue
- \$2.2bn EBITDA
- \$1.0bn CAPEX
- Over \$1bn Free Cash



- 10,394 Direct employees
- Around 70 Nationalities
- Employee Engagement score 2% above Global Telco norm
- 222 Optus branded stores and over 9,000 retail outlets supporting prepaid products and services
- 1.67m My Account registrations
- 97% population 3G voice coverage at 31 March 2010
- Migrated 5.6 million customers to strategic IT platforms



# OPTUS: A GROWTH BUSINESS WITH REAL SCALE



OPTUS REVENUE – A\$BN

Note: All numbers are FY end





# Revenues of A\$9bn places Optus in the top 20 of ASX listed companies

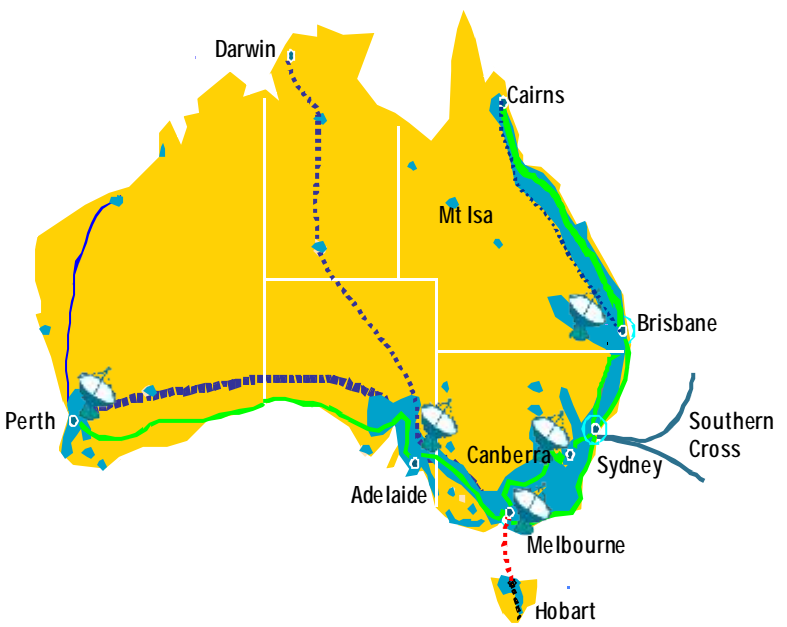
**TOP 25 ASX  
COMPANIES  
BY REVENUE**

| Listed Company                           | \$Bn | Listed Company                | \$Bn       |
|--|------|-------------------------------|------------|
| 1. Westfarmers                           | 50.6 | 14. Qantas Airways            | 13.0       |
| 2. BHP Billiton                          | 50.2 | 15. AMP                       | 10.7       |
| 3. Woolworths Ltd                        | 49.6 | 16. Bluescope Steel           | 10.3       |
| 4. Rio Tinto                             | 41.8 | 17. Macquarie Group           | 10.0       |
| 5. Commonwealth Bank of Australia        | 37.7 | 18. Amcor                     | 9.5        |
| 6. National Australia Bank               | 37.5 | <b>Optus</b>                  | <b>8.9</b> |
| 7. Westpac Banking Corp                  | 35.3 | 19. Insurance Australia Group | 8.4        |
| 8. Australia & New Zealand Banking Group | 27.6 | 20. Origin Energy             | 8.0        |
| 9. Telstra Corp                          | 25.4 | 21. Orica                     | 7.4        |
| 10. Lend Lease Group                     | 14.6 | 22. OneSteel                  | 7.2        |
| 11. Suncorp-Metway                       | 14.2 | 23. Toll Holdings             | 6.5        |
| 12. QBE Insurance Group                  | 13.6 | 24. AXA Asia Pacific Holdings | 6.1        |
| 13. Leighton Holdings                    | 13.2 | 25. AGL Energy                | 5.9        |

Source: Bloomberg

'yes'  
OPTUS

**OUR NETWORK:**  
**OVER \$15BN**  
**INVESTED SINCE 1992**



Source: Optus Network Information: FY10

**OVER 8,000**  
 Mobile Base Stations,  
 including 4,300 3G  
 HSPA Base Stations

**OVER 26,000KM**  
 of HFC cable

**5 OPTUS**  
 satellites in orbit

Ownership and/or access to  
**15 INTERNATIONAL CABLES**

**FACILITIES INCLUDE:**

**6 satellite earth stations**

**OVER 10,000KM**  
 of intercity fibre (from  
 Perth to Cairns)



**OVER 11,000KM**  
 of intra-city fibre

**OVER 1,000**  
 DSLAM racks in 371  
 Telstra exchanges

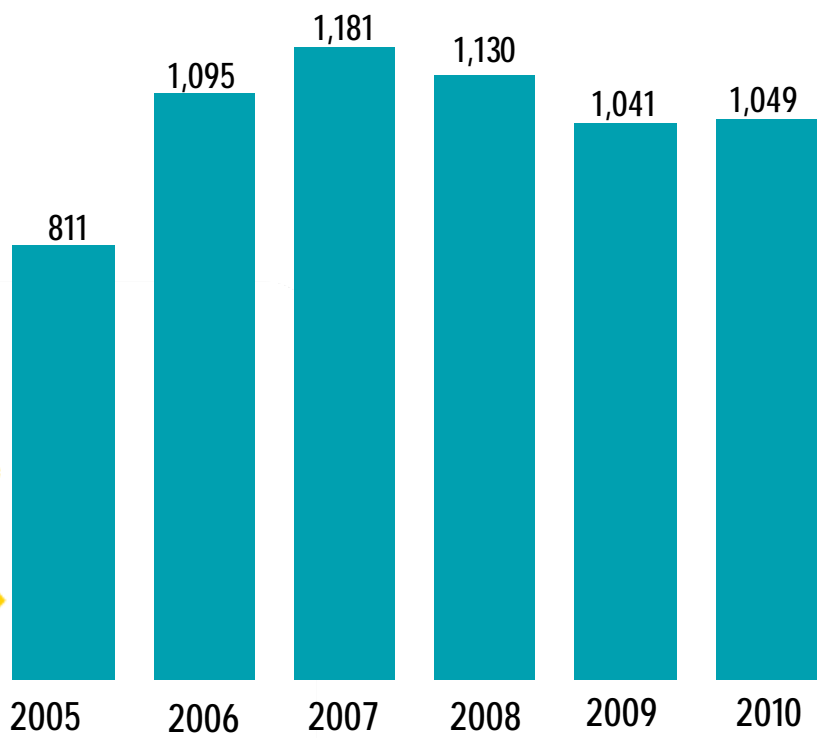
**17 exchanges**

**1 dedicated hosting site and  
 1 dedicated data centre**

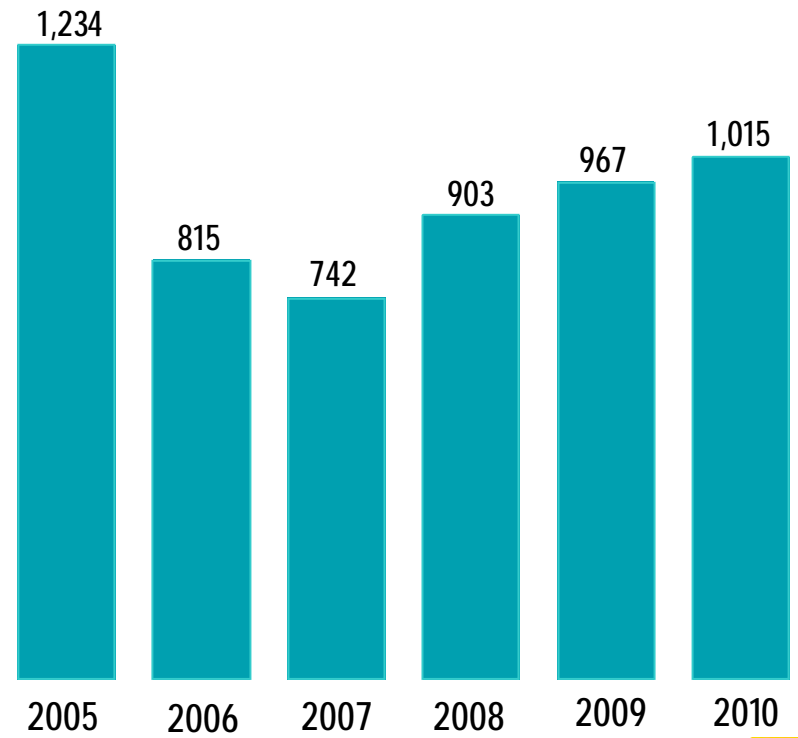


# Optus continues to invest strongly, and cash flows are increasing

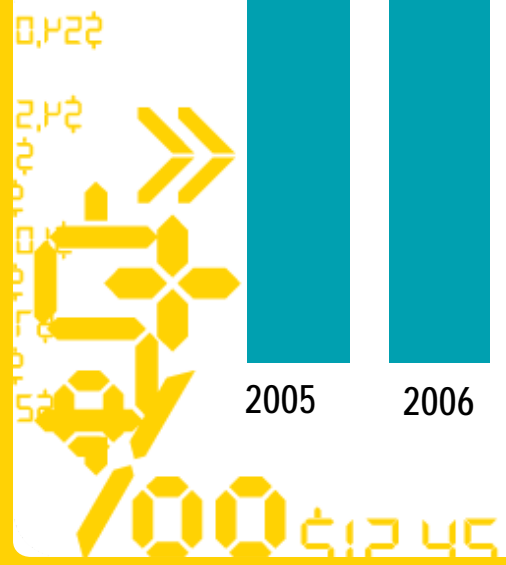
CAPEX (A\$ MILLION)



FREE CASHFLOW (A\$ MILLION)



Note: All numbers are FY end



# We have a strong financial position

**S&P  
RATING**

|      |  |  |   |   |  |
|------|--|--|---|---|--|
| AAA  |                       |  |   |   |  |
| AA   | <br>Commonwealth Bank |  |   |   |  |
| A+   |                       |  |   |   |  |
| A    |                       |  |  |  |  |
| A-   |                       |   |   |   |  |
| BBB+ |                      |  |   |   |  |
| BBB  |                     |  |   |   |  |
| BBB- |                     |  |   |   |  |

- Net Debt A\$1.5bn<sup>1</sup>
- FCF >A\$1bn<sup>2</sup>
- Access to international debt capital markets
  - US\$500m 10 yr notes
  - HK\$ 1bn 10 yr notes
- Committed medium term bank facilities
  - Total facilities A\$975m<sup>1</sup>
  - Maturing 2012

1: As at 31 Mar 2010  
2: For FY ended 31 Mar 2010



## Optus: three major businesses

### Mobile A\$5.6bn<sup>1</sup>

- 97% population 3G voice coverage
- 8.5m Optus subscribers
  - 4.2m Postpaid
  - 4.3m Prepaid
- 32.3% subs share<sup>2</sup>; 30.9% revenue share<sup>2</sup>
- Data 36% of service revenue; non-SMS data 13% of service revenue

26% EBITDA MARGIN

### OB/OWS (fixed) A\$ 2.0bn<sup>1</sup>

- Full service provider to business and government, and wholesale services to smaller carriers
- Over 17,400 buildings connected
- 17 exchanges, dedicated hosting site and dedicated data centre
- Australia's #1 satellite operator, with 5 satellites in orbit

24% EBITDA MARGIN

### Consumer & SMB (fixed) A\$1.4bn<sup>1</sup>

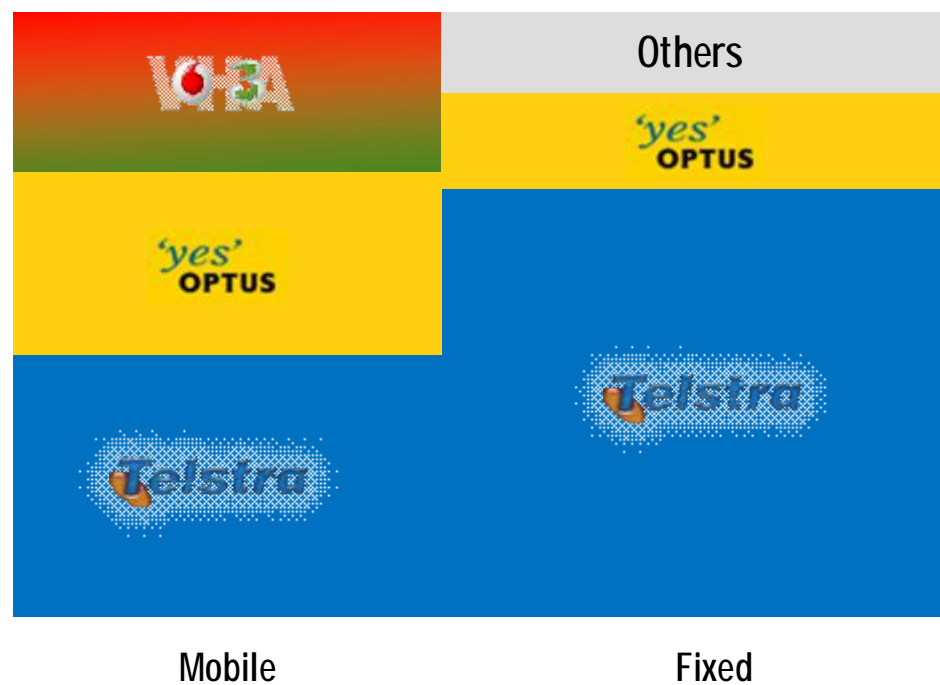
- Serving 1.4m homes with over 26,000km HFC network
- Serving 2.9m premises with ULL services from DSLAMs in 371 exchanges
- Over 1m on net telephony customers
- 980k on net broadband customers

15% EBITDA MARGIN

1. These and all figures are 12 months to, or as at, 31 Mar 10, unless otherwise stated 2. As at 31 December 2009

## Overall Optus holds strong #2 market position

REVENUE SHARE TO DEC 2009

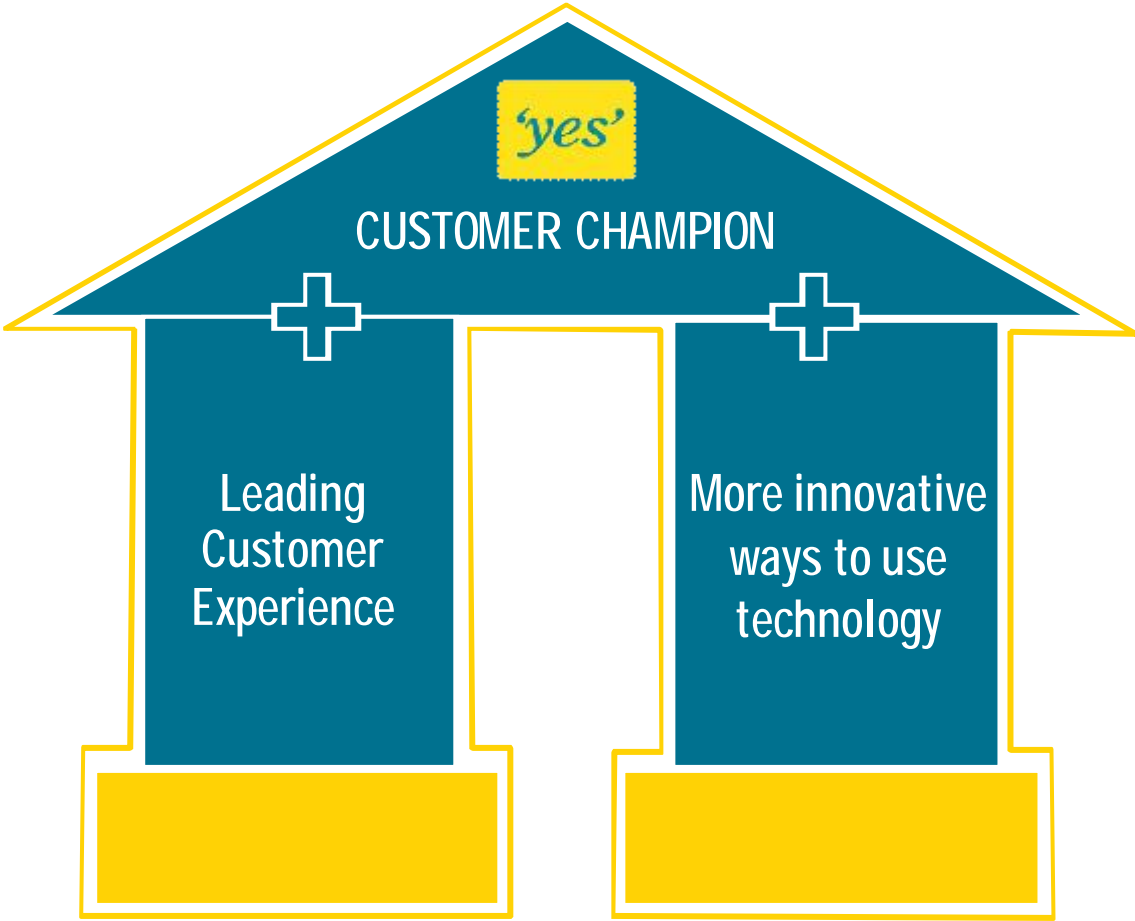


Australian Market Revenue

Source: JPMorgan, company disclosures



# Optus' brand positioning: Customer Champion

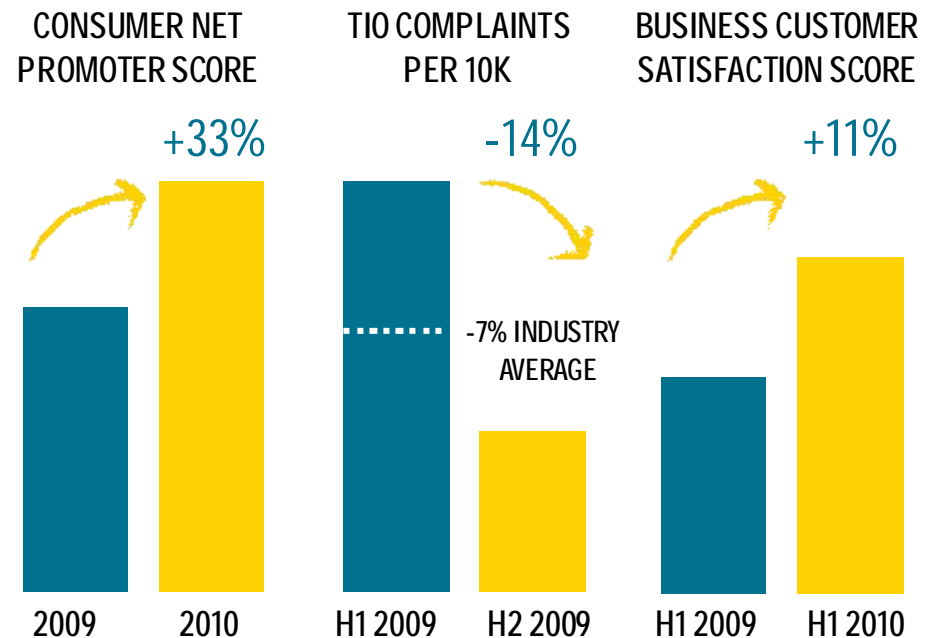


# Optus: delivering Customer Experience improvements from company-wide transformation program

## CUSTOMER EXPERIENCE TRANSFORMATION

- IT Transformation – Reitz Program
  - Rationalisation of IT Systems
  - Single view of Customer for frontline staff
  - Developed online sales & service transactions
- Transformation Program
  - Lean Six Sigma Methodology rolled out with over 1,400 people trained
  - Customer Experience KPI's rolled out to 100% of Optus staff
  - Executive incentive tied to Customer Experience attainment

## RECENT SUCCESS





# Optus' innovation: delivering value and choice to the market

## MOBILE

**OPTUS PRE-PAID MOBILE**

optus.com.au

yes OPTUS

**The End of Time.**  
New 'yes' Timeless mobile plans.

| UNLIMITED                      |                                   |  |
|--------------------------------|-----------------------------------|--|
| Calls to Australian GSM mobile | Standard local and national calls | Standard text to Australian GSM mobile |

On the \$99 Plan when you take a 200MB Mobile Internet Pack for \$14.95 per month.

yes OPTUS

iPhone 3G

Your Apple iPhone will be happy with Optus.

yes OPTUS



## FIXED

**Australia's first home phone & broadband cap.**

Call 135 YES - click optus.net

Take charge.  
The new Optus Evolve™ advanced communications network.

NEW TOTAL BUSINESS CAP  
SHARE CREDIT WITH EVERYONE AT WORK.

Even with the guy who books meetings at lunchtime?

yes OPTUS

OPTUS BUSINESS

It's all part of your network with Optus Evolve™. Using our new IP Network, we'll streamline your communications, while being reliable to manage. It has the flexibility to grow as your company does, our people work more efficiently today and into tomorrow. To take charge, call 1800 505 937 or visit optusevolve.com.au



**Video: Soccer TVC**



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# The recent Optus journey

## FY06-FY07

### MINIMISING DOWNDRAFT

- Competitive pressures
  - Mobile caps
  - Telstra margin squeeze
  - Mobile termination rates
- Margin guidance

## FY08-FY09

### BEGIN TRANSFORMATION

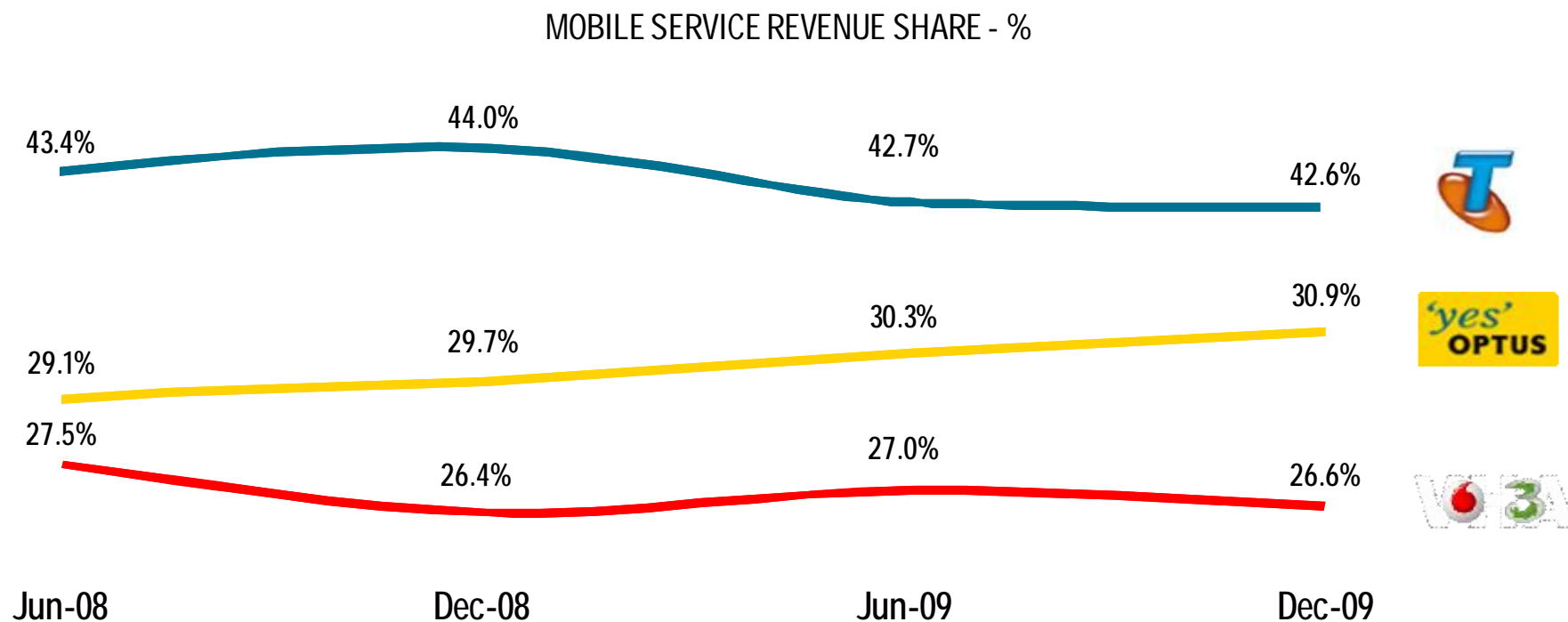
- Business stabilisation
- Re-start mobile growth
- Targeted investments: Reitz, 96% 3G, D3
- Begin transformation
  - Customer experience
  - Corporate business
  - Fixed on-net focus; resale exit
  - G9 advocacy

## FY2010

### ACCELERATION

- Increase mobile growth momentum to drive revenue share gains
- Deliver initial customer experience differentiation and realise benefits
- Transform fixed market structure via NBN advocacy

## Mobile revenue market share up 1.2% in 12 months to Dec 09

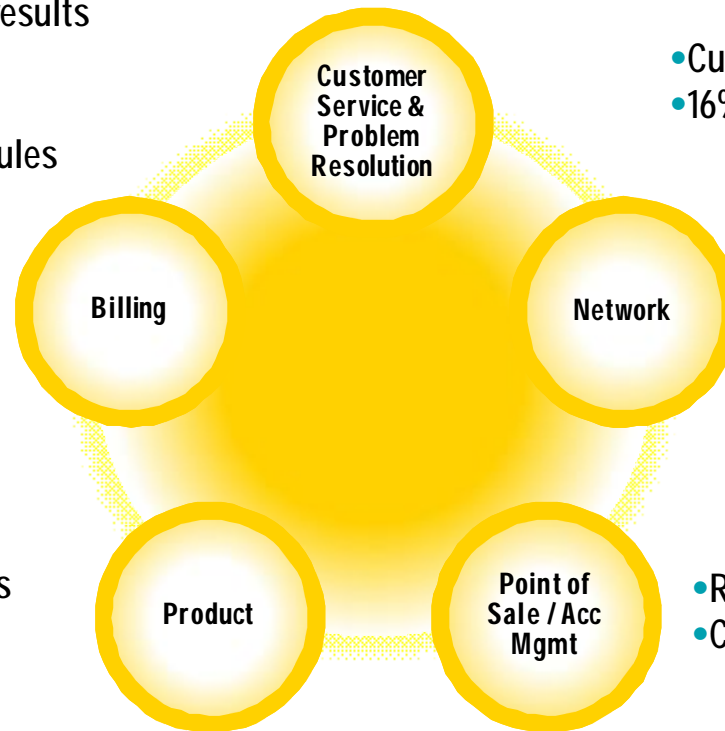


# Delivering benefits from customer experience transformation

- Improved first call resolution results in Call Centres
- Reduced call waiting times
- 90% reduction in ULL reschedules

- Clear and simple explanations of charges
- Greater range of payment options

- Putting customer requirements first in all that we build



- Customer contact via online or agent
- 16% reduction in calls to Fixed general enquiry

- 70% improvement in fault resolution times for Corporate Customers
- 11% improvement in on-time network provisioning of business orders

- Rolled out 108 more stores
- Customers can choose to purchase online

**OVER 40**  
LEAN SIX SIGMA INITIATIVES  
IN PROGRESS

**18 COMPLETED**  
LEAN SIX SIGMA INITIATIVES

**OVER 1,400**  
PEOPLE TRAINED



## Continued advocacy to deliver wholesale-only open access NBN



|   |   |   |
|---|---|---|
| Regulated prices & terms                        | X | ✓ |
| Heightened ACCC oversight role                  | X | ✓ |
| Retail separation                               | X | ✓ |
| Equivalent access for <b>all</b> access seekers | X | ✓ |

## Overall Optus delivered to market guidance in FY10

| FY10 GUIDANCE                                    | FY10 OUTCOMES     |                    |   |
|--|-------------------|--------------------|---|
| Revenue to grow at single digit level            | Revenue A\$8,949m | Up 8%              | ✓ |
| EBITDA to grow at low single-digit level         | EBITDA A\$2,153m  | Up 4%              | ✓ |
| Capital expenditure to be approx. A\$1.1 billion | A\$1,049m         | Capex: revenue 12% | ✓ |
| Free cash flow to be stable                      | A\$1,015m         | Up 5%              | ✓ |



# Video: Optus Achievements



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# Optus: Leading performance in strong growth sector in robust Australian economy

## ROBUST AUSTRALIAN ECONOMY

- #2 GDP growth among developed economies, underpinned by:
  - 2<sup>nd</sup> highest population growth
  - 8<sup>th</sup> lowest unemployment
- Avoided recession, with only one quarter of negative GDP growth

## RESILIENT TELCO MARKET DRIVEN BY MOBILE

- Low single digit telco market growth
- Mobile market growth of 8.8%
- 62% of growth driven by mobile

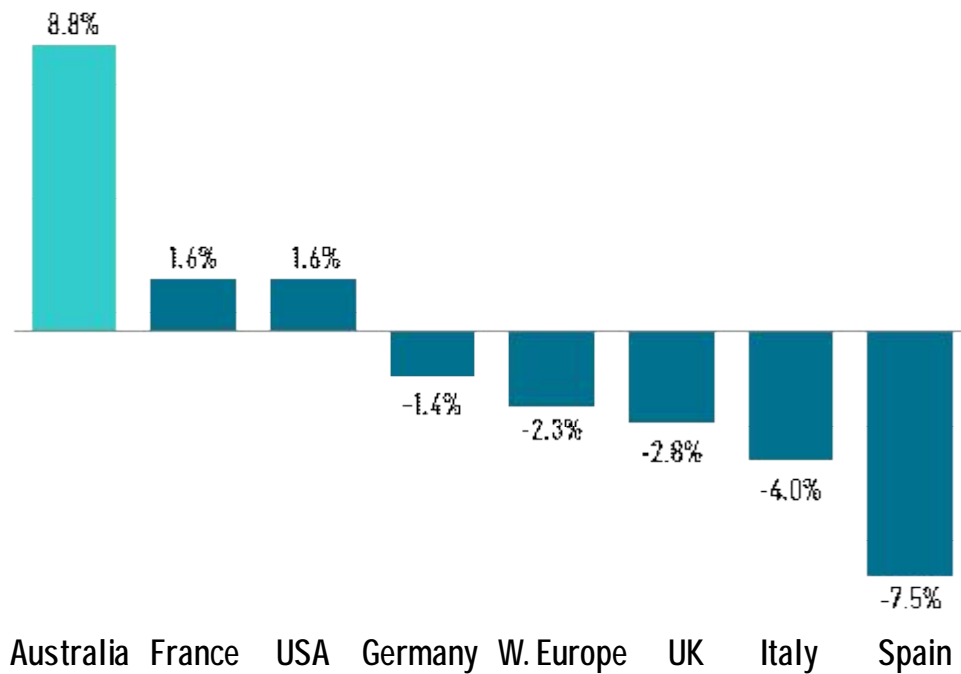
## MOBILE MARKET GROWTH LEADING DEVELOPED MARKETS

- Australia #1 mobile service revenue growth among developed economies 4Q09
- Australia #2 only to Japan in data as % of revenues

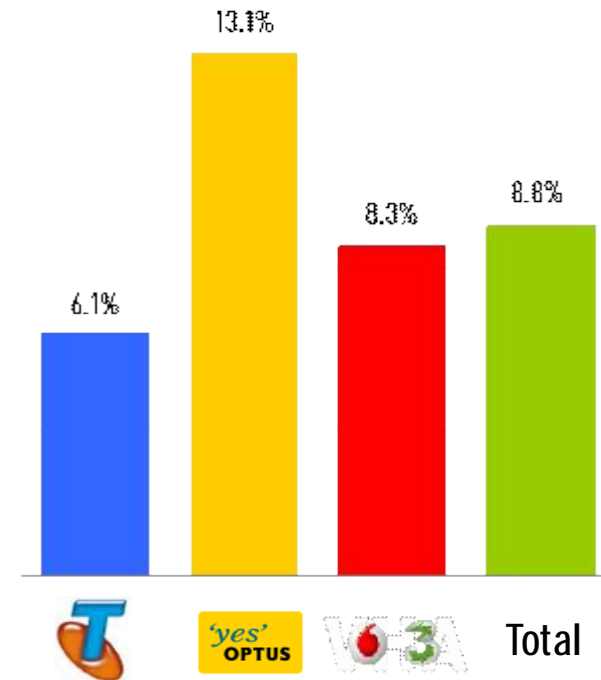
'yes'  
OPTUS

# Optus: Leading performance in strong growth sector in robust Australian economy

CY09 MOBILE SERVICE REVENUE GROWTH



CY09 MOBILE SERVICE REVENUE GROWTH



Source: JP Morgan



Looking ahead we see  
a range of challenges  
and opportunities in  
our future market

TECHNOLOGY

CUSTOMER

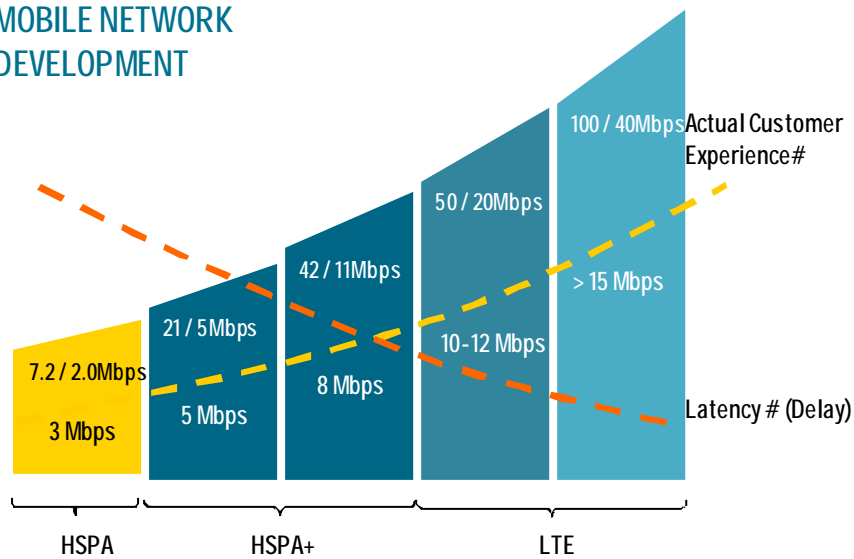
REGULATORY

COMPETITION

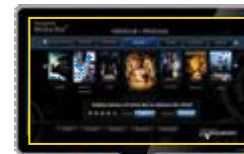
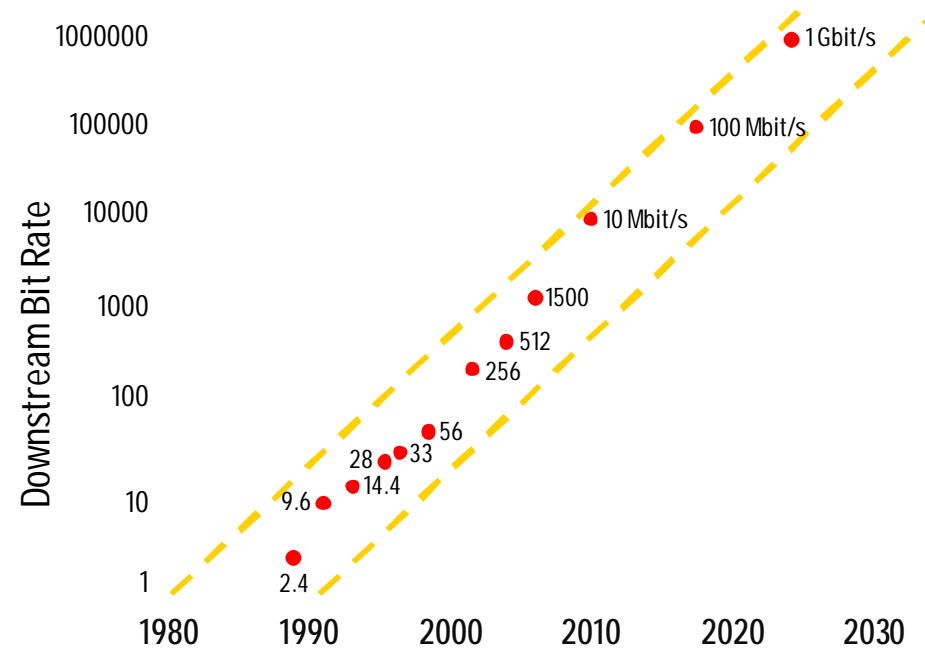
# 1: Technology continues to evolve rapidly

## MOBILE NETWORK BANDWIDTH

### MOBILE NETWORK DEVELOPMENT

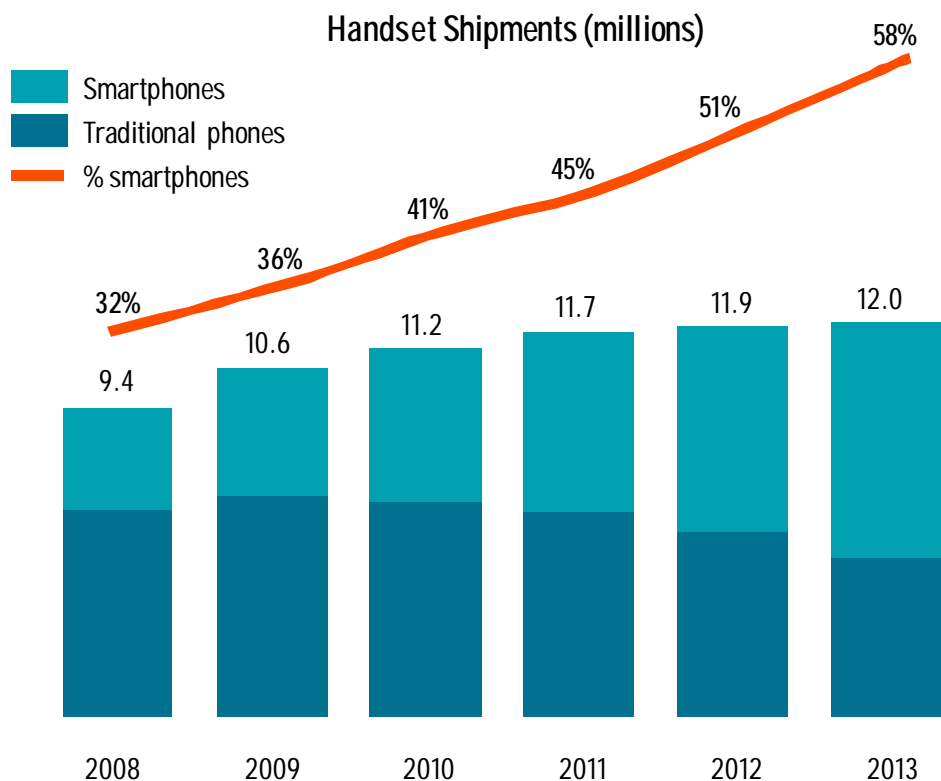


## FIXED NETWORK BANDWIDTH



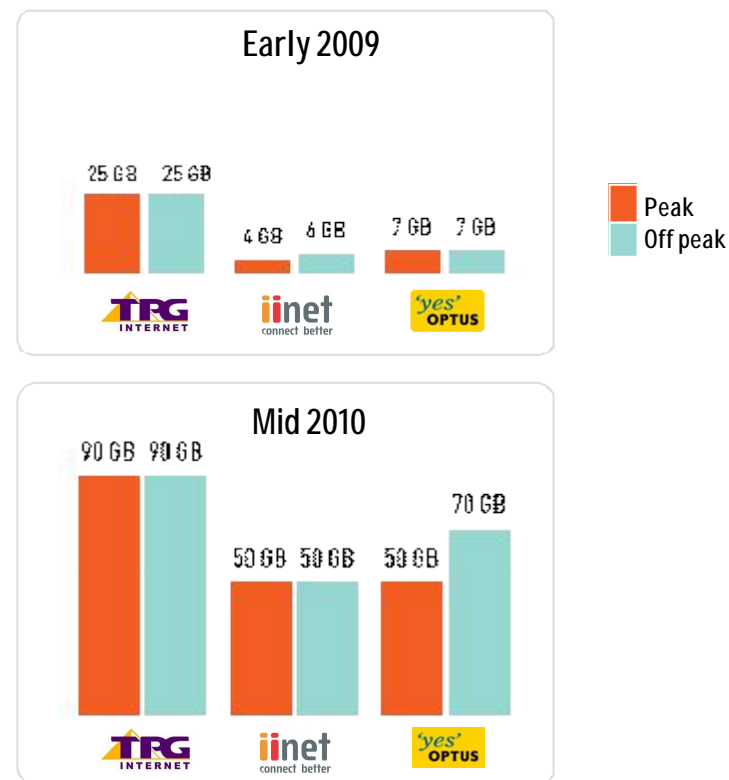
## 2: Customer behaviour changing in response

### CUSTOMERS ARE INCREASINGLY CHOOSING SMARTPHONES



Source: IDC

### CUSTOMERS ARE ACCESSING INCREASING AMOUNTS OF FIXED DATA



Source: Company disclosures



### 3: Evolving regulatory landscape

#### MOBILE

- ✓ Government confirmed process of renewal of existing spectrum licences
- ✓ Expected upcoming wireless spectrum auctions (700 MHz, 2.5 GHz)
- ✓ Stable mobile termination rates

#### FIXED

- ✓ Significant reform contemplated in telecommunications reform legislation
  - Telstra separation
  - Enhanced ACCC powers
  - Increased customer protections
- ✓ Imminent government-owned NBN deployment



## 4: Continued strong competition



- Re-pricing of fixed and mobile broadband, although still premium pricing
- New focus on mobile caps to bolster acquisition

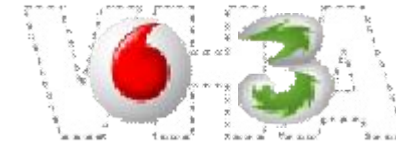
NOKIA 6720 CLASSIC

**\$49** NEW CAP PLAN  
24 MONTH TERM  
MIN COST IS \$1,176

**\$400** STANDARD VOICE CALLS AND TEXTS TO ANY AUSTRALIAN NETWORK

**200** MB OF DATA

[MORE INFO](#)



- Focus on \$29 price point & Mobile Broadband
- Rebranding and integration underway

**IncreDOUBLE!**

Get all this on our Combo Cap for **\$29 a month**

**FREE Nokia E63**  
all the value of the \$29 Cap

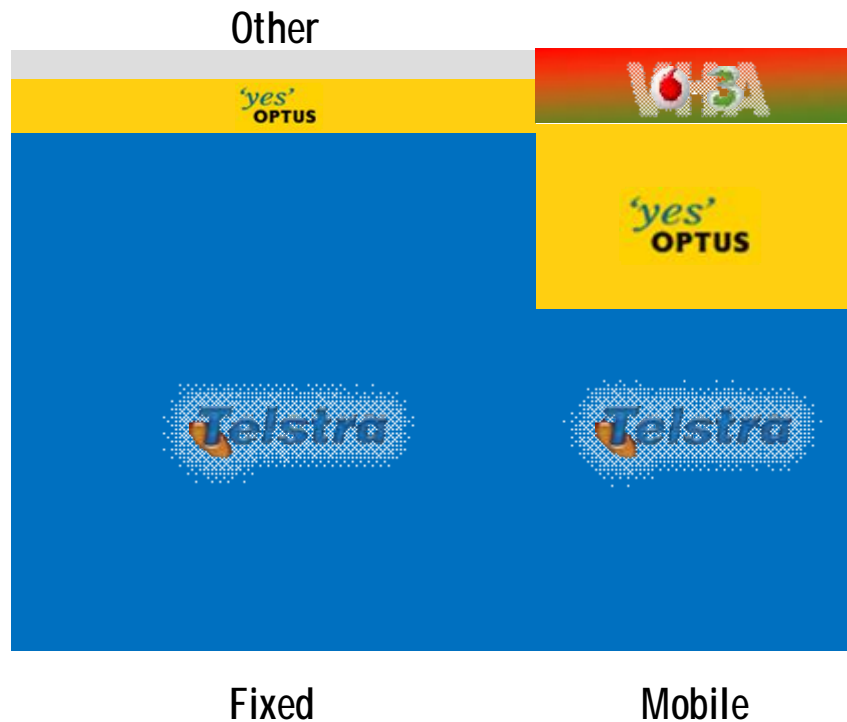
**FREE Internet Key Modem**  
168 of Mobile Broadband

[View all mobiles](#) [Terms & conditions](#) [More details](#)

# Combined these trends will drive a major shift in market value

## Today

Australian telco market Revenue to Dec 2009



## Future

### MOBILE CONTINUES TO BE A KEY SOURCE OF VALUE:

- ✓ Growth segment
- ✓ Strong demand expected for mobile broadband services

### HOWEVER, FIXED MARKET STILL VERY IMPORTANT:

- ✓ Increased market opportunity with NBN for most players
- ✓ Emerging value of convergence to customers



## Opportunity for Optus to capitalise on these trends

### MARKET LEADING CUSTOMER EXPERIENCE

WIRELESS LED CONVERGED ACCESS –  
ANY DEVICE IN ANY LOCATION



DEEPLY PERSONALISED, RELEVANT CONVERGED SERVICES



LOW COST CONVERGED NETWORK

HIGH PERFORMING ORGANISATION

Specifically supporting relevance, converged access, services and content

## Our future: focus on maintaining mobile momentum, exploiting the NBN

**FY10-FY12**

**Drive to leadership  
in Customer  
Experience &  
relevance**

**FY2012+**

**Exploit NBN & IP  
to cement leadership  
via wireless-led  
convergence**

# Optus Investor Day: Optus Overview and Strategy

Paul O'Sullivan  
Chief Executive, Optus

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