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Telstra Full Year Results Presentation, 16 August 2024 - Transcript

In accordance with the Listing Rules, attached for release to the market by Telstra Group Limited, is the transcript from Telstra's Full Year Results Presentation on 15 August 2024. The transcript is also provided for the information of Telstra Corporation Limited noteholders.

Release of announcement authorised by:

Sue Laver
Company Secretary

Introduction

Nathan Burley: Good morning, and welcome to Telstra's result announcement for the full year ending 30 June 2024. I am Nathan Burley, Head of Investor Relations. I am joining today from the lands of the Gadigal people. On behalf of Telstra, I acknowledge and pay my respects to the Traditional Custodians of Country throughout Australia and recognise the continued connection Australia's First Nations people have to land, waters and culture. We pay our respects to Elders past and present.

This morning, we will have presentations from our CEO, Vicki Brady, on the telecommunications industry, our role and an overview of results. Our CFO, Michael Ackland, will speak to our financial results in detail. We will then open to questions from analysts, investors and the media. I will now hand over to Vicki.

Presentation from Vicki Brady

Vicki Brady: Good morning, everyone, and thank you for joining us today. As Nathan mentioned, I'll make some high-level comments about the role telecommunications industry plays, Telstra's overall business performance and our outlook for the future, before Michael gets into the detail of our financials.

Starting with our role as a telecommunications industry, there is no version of Australia's future that does not rely on technology in some form to increase the productivity, inclusiveness and resilience of our economy; to create competitive industries, and to realise positive outcomes for Australians in education, skills and health. Technology has the power to unlock this potential and it needs to be underpinned by connectivity that is becoming increasingly sophisticated.

I call this out for two reasons. First, to show the opportunity for the telecommunication sector and for Telstra. There is enormous and growing demand for our core products and services. For example, the amount of data moving through Telstra's mobile network grew by another 20% over FY24. Telecommunications has a critical role to play in Australia's future and that will only grow as technology continues to evolve.

Second, this critical role requires the telecommunications sector to continue to make significant investments. And the return on those investments is important for them to be sustainable. All Australians benefit from a vibrant, competitive and sustainable telecommunication sector underpinned by the right policy and regulatory settings. To create the right environment for strong private sector investment, encourage more modern and reliable technologies for customers and reinvigorate co-investment initiatives to make it simpler, faster, and more efficient to extend and improve regional connectivity.

Turning now to Telstra's performance for the year. You can see a summary of our FY24 results on the slide. I won't go through each of the numbers as Michael will cover these in detail. Consistent and disciplined execution of our strategy has delivered our third consecutive year of underlying growth and positive momentum across many of our key indicators. Underlying EBITDA is a key measure, and it grew by almost \$300 million or 3.7% to \$8.2 billion. This Underlying EBITDA growth flowed through to Underlying Net Profit After Tax which grew by 7.5% to \$2.3 billion. Our Mobile and infrastructure businesses, including InfraCo Fixed,

Amplitel and International comprised 96% of our Underlying EBITDA and grew strongly at rates of almost 6% or more.

However, our Enterprise business underperformed. We commenced action during the year to address challenges in our Enterprise business and took additional action on cost overall. Our reported earnings reflect these decisions, and combined with other adjustments result in significant one-off net costs totalling \$715 million. Michael will provide details on these one-off costs shortly.

As a result, Reported EBITDA decreased by 4.2% to \$7.5 billion, and our Reported Net Profit After Tax reduced by 12.8% to \$1.8 billion.

On the back of underlying earnings growth, the Board resolved to pay a fully franked final dividend of nine cents per share, bringing total dividends for the year to 18 cents, and representing a 5.9% increase compared to last year. This outcome is consistent with our policy to maximise the fully franked dividend and seek to grow it over time.

Our Mobiles business has continued to perform very strongly, with EBITDA growth over \$400 million. This growth was driven by more people choosing our network, with more than 560,000 net new handheld customers along with ARPU growth. Mobile services revenue grew by 5.6%, and our Mobile Business underpinned our overall underlying earnings growth.

Our infrastructure business also grew, reflecting ongoing demand for our assets. InfraCo Fixed and Amplitel EBITDA grew by around \$150 million in aggregate, further strengthening my confidence in our infrastructure growth ambitions. Our Intercity Fibre Network is an investment in Australia's future growth, connectivity and digital prosperity.

Earlier this week, we announced an expansion of our strategic partnership, with Microsoft including signing contracts for the first routes they will use as a foundational partner on the network. This is an example of the strong demand we see for these assets and their role in underpinning technology including AI.

Our Fixed C&SB business continued to grow with EBITDA growth of almost \$120 million reflecting ongoing cost discipline and ARPU growth.

We also established Telstra Business in the year to focus on delivering for small and medium businesses. We now have a dedicated team to support their specific needs, innovation and growth.

While most parts of our business performed strongly, Fixed Enterprise is clearly a long way from where we need it to be. We have faced into underperformance, particularly within NAS, and made decisions to begin the reset of that business. This includes reducing our NAS product portfolio by two thirds over the next few years and focusing on where we are clearly differentiated. We are also reorganising our teams to deliver better for our customers and reduce our cost base.

The reset of our Enterprise business will take time, but I am confident in the initial actions we have taken. These necessary choices and decisions in Enterprise,

together with our additional action on cost, mean we are confident in achieving our \$350 million cost reduction ambition by the end of FY25. Changes that affect our people are never easy, and I do not underestimate the impact they have. We are committed to supporting our people through this change with care and transparency, and to minimising the impact on our customers.

Turning briefly to our T25 strategy. Overall, this is on track including our growth ambitions in Underlying EBITDA, EPS, and ROIC. Our achievements by strategic pillar and overall scorecard performance are included in the appendix slides lodged with the ASX today, so I won't talk to them in detail.

Over the last 12 months, we've continued to deliver on our purpose by investing in vital infrastructure for the nation, supporting more customers than ever, and supporting Australia's future prosperity. A few things I'll call out on this slide. This year, we have invested \$5 billion in Capex and mobile spectrum payments, which brings us to \$42 billion invested in Capex and spectrum over the last 10 years.

That investment has radically transformed the connectivity Australia relies on. Over that decade, we transitioned beyond 2G technologies, closing that network in 2016. After almost five years of planning and working with customers, we are now in the last stages of transitioning from 3G to 4G and 5G networks which are faster, more secure, and more reliable.

We know how important it is to give customers time to make this transition, and yesterday we extended the closure of our 3G network, which will commence from 28 October.

Our investment has delivered Australia's largest and most reliable mobile network, adding 240,000 square kilometres of additional mobile coverage since FY21 and now reaching 99.7% of the population. As I mentioned, we are continuing to roll out our intercity fibre network, which will be an important part of future proofing Australia's speed and capacity needs for the next 20 years.

We also continued to expand our subsea cable network and build more resilience into Australia's connection to the world.

We remain Australia's biggest investor in digital infrastructure.

For customers, we've delivered secure and reliable connectivity. Given the extensive reach of our networks and the role they play in society today, it's hard to think of an Australian who does not benefit from the Telstra network in some way every day. For example, our network supports more than 26 million mobile services and connectivity for more than three million households. More than 85% of the ASX 100 are Telstra customers.

Our investments have improved connectivity and options in regional Australia. I visited with one of our first customers on our new home satellite internet product, who were thrilled to be able to do simple things that the majority of us take for granted, like watch a video shared in a family group chat and be part of the conversation in the moment, rather than catching up days later when they visited town and could finally download the video. The impact of people feeling truly

connected is big. We understand how fundamental connectivity is to lives and livelihoods. This is one of the reasons we are committed to providing a range of options at different price points with no lock-in month-to-month plans.

Over FY24, we also helped more than 1.4 million customers in vulnerable circumstances to stay connected.

Staying safe online also remains a priority for Australians. Through our Cleaner Pipes work, we continue to block millions of scam calls, texts, and emails and we work closely with government and industry to bolster our country's cyber defences.

For Australia, the connectivity we provide is vital in enabling our country to operate every day, underpinning everything from big business and small, to governments, households, entertainment and public services. Every sector benefits from the investments we have made.

Over the past 12 months, we paid more than \$2 billion in dividends to shareholders, benefiting more than 16 million Australians. We employed more than 26,000 people in Australia and we paid more than a billion dollars in taxes.

We saw again, over the summer, how fundamental power and communications are during a natural disaster. We stepped up our disaster response efforts and mobilised more than 3,000 of our people to respond to extreme weather events around the country.

I was in East Gippsland in Victoria after the devastating storms there in February, and I've heard firsthand about the way our teams came together to support our customers and restore services in extremely difficult circumstances. I want to thank our teams around Australia for their incredible efforts.

We are also reducing our energy use and emissions, which is both good for Telstra and good for Australia, and we have lifted our absolute Scope 1 and 2 emissions reduction targets. We've now supported renewable energy projects worth more than \$1.4 billion and once fully operational, their output is expected to be equivalent to Telstra's overall energy consumption.

Our purpose is to build a connected future so everyone can thrive, and in a technology-enabled future, I believe that purpose is more important than ever. As we look ahead, we are focused on finishing T25 strongly and setting the business up for long-term success. We've made excellent progress and achieved a lot so far. In FY25, we must remain focused on lifting customer experience, continue delivering financial growth and value from our world leading mobile network and high quality infrastructure, continue to reset our Enterprise business and keep delivering on our commitment to simplify our operations and improve our productivity. These actions are essential to support our sustainable growth and to put us in a position to deliver for customers now and in the long run.

Let me close by reiterating two points: I am optimistic about the opportunities ahead. Telstra's digital infrastructure and network will be increasingly central to how Australians live and work, and we are focused on investing sustainably to deliver for our customers and our shareholders. All Australians benefit from a

financially sustainable and competitive telecommunications sector that can deliver reliable, resilient and secure connectivity. We have a critical role to play in Australia's future, resilience and prosperity.

I want to thank the Telstra team for all their efforts this year. It is the combination of our network and technology, our purpose, and the way our teams come together to deliver that makes a difference for our customer. I will now hand to Michael to take you through the results in detail.

Presentation from Michael Ackland

Michael Ackland: Thanks, Vicki. So as Vicki mentioned, we've shown strong underlying performance this year. Our reported earnings reflect significant one-off costs as we responded to the challenges we faced, and other adjustments. I'd like to address these upfront.

Starting with our key financial metrics on slide 9 which show the impact of one-off restructuring and impairments on our reported results. These items total \$715 million pre-tax, or \$518 million post-tax, and have been excluded from the underlying result due to their one-off nature and materiality.

These items are set out in detail on slide 40 and include: non-cash asset impairments of \$311 million related to our previously announced Telstra Enterprise reset, including our decision to exit certain Enterprise products. Restructuring costs of \$247 million related to the organisational changes and action on cost announced in May 2024. And other non-cash impairments relating to retail energy, and office building leases as well as customary M&A adjustments. Excluding these items, Underlying EBITDA in FY24 of \$8.2 billion is up 3.7% on prior year, and reflects the ongoing growth and momentum in our operations.

Turning to slide 10, which sets out the underlying results and shows our continued growth in line with our strategy, and represents our third consecutive year of underlying profit growth. We've delivered an Underlying Net Profit After Tax of \$2.3 billion, up 7.5% on the prior year, and earnings per share of 18.5 cents, up 5.7%.

This growth has been driven by disciplined cost management and earnings growth across a number of key products, notwithstanding higher finance cost and tax expense. While income was up 1%, we reduced underlying operating costs with our ongoing focus on cost discipline and productivity. This is a strong result given our \$15.1 billion underlying cost base and a high inflation environment.

Depreciation and amortisation was broadly flat while finance costs reflect the higher interest rate environment and higher net debt. With the stronger underlying earnings, the Board increased total dividends to 18 cents per share, up 5.9%.

Turning to slide 11 on product profitability. Mobile has again delivered strong growth, as has Fixed Consumer and Small Business, and our infrastructure businesses. This was offset by a decline in Fixed Enterprise. The Other item in FY24 largely represents ongoing costs not allocated to product, including reporting changes due to the corporate restructure in FY23.

Turning to each of our products, starting with Mobile on slide 12. Mobile has delivered a strong result. Income was up 5% and EBITDA was up 9%, demonstrating the operating leverage in the business. Mobile service revenue continued its recovery, up 5.6% with growth in handheld users and average revenue per user. Our handheld mobile user base grew 562,000 or 4.1%, well above population growth, and with growth across the entire portfolio of postpaid, prepaid and wholesale categories.

Postpaid handheld churn remained at historically low levels. Average revenue per user grew 2.1% on average across the portfolio driven by price rises, mix, and proposition changes early in the year. These strong outcomes are the result of the significant ongoing investments we continue to make in our network coverage, differentiation and customer experience.

Turning now to Fixed Consumer and Small Business. Our ongoing focus on reducing costs and leveraging a portfolio of technologies continued to deliver earnings growth up 88% to \$254 million. ARPU grew 2.8% with price rises that came into effect in November 2023, broadly in line with nbn wholesale access changes as well as positive product mix. However, continued SIO losses remain a key challenge. More of our customers are now on the new digital platform, reducing the cost to serve and supporting nbn reseller margin expansion. We continue to scale our 5G fixed wireless offering, with customers nearly doubling in the year. And we successfully launched our home satellite internet product late in the year.

Turning to Fixed Enterprise on slide 14, where we continue to see the impact of structural and technological change. Overall, revenue of \$3.5 billion in FY24 was down 5%, while EBITDA of \$136 million was down 67%. Data and Connectivity (or DAC) remains impacted by ARPU compression as we renew customers. While income fell 7%, the level of decline has reduced, and EBITDA dropped to \$95 million.

In our Network Applications and Services (or NAS) portfolio, the trends from the first half continued, as shown in the NAS revenue chart at the bottom of the slide. Calling continues to be impacted by the shift from traditional fixed line voice to cloud applications, which we expect to persist. Revenue fell 14% in calling, and with its higher margin profile, weighed on earnings. Professional services continued to be impacted by lower business confidence and slower trading environment, as well as fewer large infrastructure contracts at present.

This revenue decline also weighed on earnings. Furthermore, while revenue from cloud resale and other grew, there was a lower EBITDA contribution from cloud resale and equipment sales. Overall, NAS income fell 4.5% while earnings fell to \$41 million. As Vicki mentioned, we've made decisions to begin the reset of our Enterprise business. These are reflected in the non-cash impairments I spoke to earlier. However, recovery will take a number of years.

Turning to International on slide 15. In Wholesale and Enterprise, we continue to see ongoing demand for our offshore infrastructure, subsea cable capacity and services. Revenue grew 3%, and EBITDA was up 11% to \$416 million, reflecting strong cost discipline and some one-off timing benefits. Digicel Pacific

experienced a challenging operating environment, and higher subscriber acquisition costs in Papua New Guinea, its largest market. While normalised results were down, it was offset by an adjustment to the earn-out provision made at acquisition, as well as currency movements. We remain confident in the outlook and in our ability to drive growth in this business.

Turning to infrastructure on slide 16. Income from InfraCo Fixed grew 7.4% with a stronger contribution from commercial works and legacy network disposals in the second half, as previously indicated. Core access income grew 6.8% from both internal and nbn, with the latter growing at 6%. Core access EBITDAaL grew 5.4%, reflecting higher operating and maintenance costs as we continue to invest in improving asset quality and efficiency to drive long-term growth. This includes our strategic infrastructure investment, the 14,000-kilometre intercity fibre and ViaSat projects. We remain confident in returns from these investments, and continue to expect the first contributions from the intercity fibre network in FY26 as capacity comes online. Amplitel continued to benefit from strong demand for towers and new signings. This result included \$15 million in gains from customer contracts in FY24.

Turning to operating costs on slide 17. Our strong focus on costs resulted in an overall reduction in underlying costs in the face of inflation. This included an \$81 million reduction in fixed costs core driven by reductions in indirect labour and commissions. Together with the \$41 million reduction last year, this brings our cumulative total to approximately \$120 million.

We expect to achieve a reduction in fixed costs core of \$350 million by FY25 following the cost actions we've taken. This includes removal of up to 2,800 roles across the organisation announced in May, and additional indirect labour and non-labour productivity measures, including commissions, licence fees, IT vendor rationalisation, and power. We continue to invest in AI tools and training to increase efficiency and improve customer experience. And we do expect ongoing productivity benefits from this over the medium term.

Our free cashflow is set out on slide 18. We delivered free cashflow after leases of \$3 billion, up 7.3% in line with guidance. Positive movement in working capital and other was broadly consistent with the prior year, and reflects our typically stronger cash flow profile in the second half. Excluding strategic investments, which comprise the intercity fibre and ViaSat projects, free cashflow was \$3.2 billion, up 5.3%. Importantly, we are focused on driving further growth in this measure. Our strong cashflow allowed us to continue to invest, for example, payments of almost \$1.3 billion for spectrum in FY24.

Slide 19 shows our strong capital position and liquidity. Net debt increased to \$15.8 billion following the spectrum payments and remains stable at 1.9 times Underlying EBITDA. We remain within our comfort ranges for credit metrics on an underlying basis. Our commitment to increasing returns has seen us improve Underlying ROIC to 8.3% and above our cost of capital. We remain strongly committed to capital discipline and active portfolio management, with the aim of further improving returns.

Turning to guidance for FY25 on slide 20, where you can see the ranges along with the conditions upon which we have provided them. We expect continued

Underlying EBITDA growth and have tightened our guidance range upwards to \$8.5 to \$8.7 billion. Business as usual capital including Digicel Pacific of \$3.2 to \$3.4 billion continues to demonstrate our disciplined approach to Capex.

Strategic investment of \$0.3 to \$0.5 billion in FY25 reflects the ramp-up of our intercity fibre project. Free cashflow before strategic investment is expected to be between \$3[.0] and \$3.4 billion. This guidance includes around \$300 million of cash outflow related to the FY24 restructuring costs. It also demonstrates the cash generation of our operating business and supports our ambition to maximise our fully-franked dividend and seek to grow over time.

In summary, our performance continues to benefit from the investments we're making in our network and customer experience, while our key Mobile and digital infrastructure businesses benefit from structural long-term demand. Overall, we remain on track to achieve our T25 financial ambitions.

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

Analysts Q&A

Nathan Burley: Thank you, Michael. We will now open to a time of questions from analysts, and after that we will open to questions from media. But we'll start with investors and analysts, and our first question today comes from Eric Choi from Barrenjoey. Go ahead, Eric.

Eric Choi: OK. Thanks a lot, Nathan. I'll ask all my questions in one go. Just firstly, on postpaid ARPUs being down slightly in the second half versus first half, I'm just wondering if there's any consumer down tiering there or is it all just mix and one-offs? And regardless of the reason, I'd be interested to know if you think these factors continue into FY25.

The second question. You've obviously decoupled postpaid mobile from the annual CPI link now. I'm just wondering if that gives you the flexibility to look at more than one set of plan adjustments per financial year, obviously if the market conditions allow for it?

And then thirdly, on the EPS outlook for '25. If I simplistically take the midpoint of your EBITDA guidance and even if we assume some modest step ups in interest and depreciation, it's suggesting an EPS outcome above 19 cents. But for the purposes of the dividend, I just wanted to confirm that franked EPS might be half a cent lower than Underlying EPS, just given the restructuring. Thanks.

Vicki Brady: Well, thanks Eric, good to have you on first for results again. For those three questions, why don't I make some comments on the first and second questions, and then I'll hand over to Michael who may well want to come in a little bit more on second half versus first half ARPU and also EPS.

So, just on postpaid ARPU. Eric, as you would be aware, we do have a little bit of seasonality that happens first half versus second half. Roaming is a good example of that. And the second thing I would call out is in the second half, in our

Enterprise business where you've continued to see some of the messaging revenue come off, it hit its real peaks through the COVID period and shortly after that as there were a lot of messages being sent out to Australians. So a couple of those things are at play, but I'm sure Michael will want to jump in and provide a little bit more on that.

Just to your second question on the new terms and conditions we now have in place in terms of our mobile postpaid pricing plans for Consumer and Small Business customers. I mean, as you point out, yes, technically those terms and conditions do give us greater flexibility. But in terms of any comment around how we might think about future pricing, obviously I won't go into that, that wouldn't be appropriate to talk about that.

But yes, you're correct, one of the outcomes of the change is it does provide us greater flexibility over time. But of course any pricing decisions we weigh up and make very carefully, to make sure we get the balance right of the quality of what we're providing and that ongoing investment to make sure, for example, we've got the leading mobile network in the country, combined with getting the right outcome obviously to make that investment sustainable.

So Michael, why don't I hand over to you to see if you want to make a few comments and get to the third question.

Michael Ackland: Yes, sure. So, thanks Eric. On mobile ARPU in the second half, as Vicki mentioned, a little bit of seasonality around roaming, that's pretty typical. A little bit of a drag in our Enterprise ARPU, some of that driven by the continued decline in the messaging revenue.

But the other point is that we did the Consumer and Small Business postpaid price rises right on July 1 this year. So, we don't see that first half/second half benefit that we've had in a number of previous years – and that we will have this year with the price rises that have already been announced and communicated to customers there as well. So, overall, very strong performance, particularly in Consumer and Small Business, and we would expect to see that continue based on the price changes we've already announced.

On EPS and franking, so absolutely our franking balance is a little tighter than normal. But we are very confident based on our FY25 guidance in our ability to maximise fully-franked dividends and seek to grow them. So, we're confident on our ability to manage that franking balance.

Eric Choi: Thanks Vicki, thanks Michael, and good results.

Vicki Brady: Thank you.

Nathan Burley: We'll go to our next question which is from Lucy Huang from UBS.

Lucy Huang: Thanks Nathan and thanks Vicki and Michael. I've got three questions as well. So, firstly, also just on postpaid ARPU, I'm just wondering if you can talk through churn in postpaid – have you seen any elevated churn in the second half, particularly given the announcement of the price rise? And I guess, coming into late August this year when the first price increase does hit, are you expecting an

elevated churn on the back of that event as well?

Lucy Huang: And then just on the free cashflow guidance, I think it says the additional payment of the \$300 million of restructuring costs. So just in relation to, I guess, if you can make some comments on the comfort levels to lift gearing into next year, given we're already trending around 2.1 times net debt to EBITDA. So just ongoing, yes, if you can give some current thoughts on paying higher dividend into next year given the free cashflow guidance?

And then just my third question on prepaid subscribers. The growth flowed quite materially in the second half. I'm just wondering if you had any thoughts as to whether this is more structural, being migration slowing in Australia, or whether you're seeing some share shift in the prepaid segments? Thanks.

Vicki Brady: Fantastic. And thanks, Lucy, for those questions. So why don't I make some comments on the first one. I'll get Michael to jump in on free cashflow guidance, and then Brad's with us today – I should have mentioned both Brad Whitcomb and Brendon Riley are on the call as well. So, I'm going to get Brad to jump in and talk a little bit about prepaid and what's happened in that second half from a subscriber point of view.

So Lucy, just on your first question around our postpaid business in terms of churn. As you said, we went out and made the announcements about our upcoming price changes, so they went out in July, so outside the window of the financial year. In terms of how churn performed in the second half, I remain very, very pleased with where churn is running at. In fact, in our Consumer and Small Business side of the business performing well. We did have a little bit of movement inside our Enterprise business in the second half, a little bit of change going on there. But overall, very, very comfortable with where churn is running.

Our experience in terms of prior price changes, we would normally expect – the greatest impact does come when the pricing changes hit customers' bills for the first time. And of course as you would anticipate as we've looked at the year ahead and setting guidance, we factored in our expectations around how we expect customers to respond, whether that's churn, whether that's change of plan, so that is absolutely factored in. And as I said, I remain very pleased with where we're running in terms of our postpaid churn overall.

Michael, why don't I go to you to free cashflow and then we'll go to Brad?

Michael Ackland: Yes, sure. So, yes, based on our free cashflow guidance, including the \$300 million as you point out, Lucy. With the EBITDA growth, that Underlying EBITDA growth we're guiding on, we see no issue on any of the credit comfort metrics. On an underlying basis, we're inside them now, and as we go into '25, with that cashflow outlook as well as the EBITDA outlook, our balance sheet remains very strong and inside those credit metrics.

Brad Whitcomb: Yes, and if I could pick up, Lucy, on your question around the prepaid SIOs. Prepaid remains a fantastic business for us and we did grow yet again in the second half, although as you pointed out the growth was lower in the second half. There were three main reasons for that. One, as you speculated, there is less migration typically in the second half and we saw that flow through. Secondly, we did have

an uptick in the first half related to the Optus outage, where a number of customers came across and picked up prepaid services on Telstra during that period of time, so that was a short-term impact.

And then finally, we cleaned up around 50,000 long expiry, essentially non-tolling customers out of the numbers in the second half. So, it remains a critical part of our plan in getting the balance right between prepaid and postpaid, and we're quite confident where we're at.

Lucy Huang: Great. Thank you so much.

Nathan Burley: Excellent. We will go to our next question, which is from Kane Hannan from Goldman Sachs. Go ahead, Kane.

Kane Hannan: Morning guys. I have three as well. Just Fixed Enterprise, you obviously called out the recovery is going to take a number of years. I mean, do we interpret that, that the revenue headwinds coming through will more than offset the Opex savings that you've done annualising next year, so Fixed Enterprise EBITDA declines into '25?

Secondly, on free cashflow again, so guidance of \$3.0 billion to \$3.4 billion next year. I mean, if I take that a step further out to '26, the \$300 million of restructuring drops away, hopefully another couple hundred million of EBITDA growth, Capex is flat to marginally down. I mean, is there anything wrong with my thinking that free cashflow in '26 could be well into the high threes?

And then finally just Underlying ROIC is 8.3% this year. You've obviously got the EBITDA guidance out there for continued growth. As that strategic Capex starts to generate earnings later on in this decade, do you think that 10% ROIC target that you previously had out in the market a number of years ago is plausible? Or is this something that will cap the ROIC going later into the decade? Cheers.

Vicki Brady: Thanks Kane, thanks for your questions, and you cover a wide range there. So why don't I make some comments and then I'm sure Michael will want to jump in as well and add.

So, starting with Fixed Enterprise. As I spoke to, we're definitely now well underway with the initial actions on the reset of the Enterprise business, and I do want to be very upfront. This is our chance to really fundamentally reset this business. So, we have made some choices and decisions which I am very confident in those initial actions. But we do have more work to do to work through it right from the foundations to make sure we get this reset right. Because I do believe there is a big opportunity ahead in Enterprise, particularly around connectivity and our mobile and our fixed networks provide us a differentiated offering to our customers. But do have more work to do.

In terms of how we've thought about it; so our guidance for FY25 absolutely takes into account the actions that we will take throughout the year. One thing we've been very clear on, and some of the change we've made internally, is that we want to make sure we are going after products and services where we are differentiated, and where it can generate contribution to our bottom line as well.

So as we go through the change, particularly the reduction in our NAS product portfolio – the two-thirds reduction in that over the next few years – I absolutely can see that there will be products that are generating revenue for us, but not contributing to the bottom line. They are choices and decisions we have to make.

We've also made some choices now around our commercial guardrails that we operate within the business - to get that aligned as well; for example, in our sales incentive programs for our teams that are out there and doing the important job of facing our customers, and making sure we're putting the right solutions and products in place to meet their needs. So we have factored that in. It is captured in our guidance range, and we're well underway in managing through that.

I won't comment on free cashflow. I'll get Michael to jump in on that one.

Just in terms of ROIC, we've had a commitment to keep lifting our Underlying Return On Invested Capital. We are now back above our cost of capital, but we are seeking to continue to grow it. We haven't put an ambition out there other than seeking to continue to grow that, but as you point out, some of the investments we're making today, like our investment in the intercity fibre network – as that comes online, and we expect the first routes of that network to be ready for service and start generating revenue in the second half of the next calendar year 2025, and then progressively more routes to come online beyond that – absolutely, we've talked about how those 10 intercity routes that we've got under design build at the moment, when up and running, will contribute an estimated \$200 million in income to the business. So they're absolutely investments that we're making today that we are confident there is strong demand for.

The Microsoft deal is a good example of that demand, and we see demand coming from many players here in the market and global players. That absolutely will be there as that gets switched on and in operation. So absolutely, our goal is to continue to grow our Return On Invested Capital. And I can absolutely assure you in our discussions as a management team and with our Board, it's absolutely front and centre. Which is why, as a management team, that Underlying EBITDA and continuing to grow it is such an important focus for us, as we make choices and decisions and navigate the business over the coming years. Michael, I might hand to you on free cashflow.

Michael Ackland: Yes, great. Thank you. We are confident in the strong operating cashflow generation capability of this business. We've guided growing [Underlying] EBITDA. Our BAU Capex is flattish, so that ends with pretty strong cash generation. The only one thing I would just note is for FY26, we do have an nbn true-up payment that we've talked about before, that lands in FY26, of around \$250 million.

Kane Hannan: Awesome. Thank you.

Nathan Burley: Excellent. We will go to our next question, which is from Entcho Raykovski from Evans & Partners.

Entcho Raykovski: Morning, everyone. I'll ask all my questions together as well. The first one might be an obvious one, but can you talk through the key reasons for the narrowed guidance range into FY25? I presume it's primarily greater clarity around mobile

pricing than you had back in May, given the price increase. But if you could also talk as to whether there's any factors that have perhaps gone a little bit better? That's the first one.

Secondly, like postpaid ARPU, mobile margins went backwards sequentially in the second half from 47.1% in 1H to 46.6% in 2H, and they've only expanded marginally on the PCP. So I suppose my question is: given the latest price increase, do you see scope for mobile margins to continue to grow into FY25, notwithstanding that more recent reduction?

And then the final one, also in free cashflow but a little bit longer dated: when do you expect the intercity fibre project to be a positive contributor to free cashflow? So, net of Capex? I presume that comes in in FY27. Once the Capex comes off, what confidence can you give to the market that that spend won't be directed elsewhere? Thank you.

Vicki Brady: Thanks, Entcho, for that. Let me jump in on a few. I'm sure Michael will then comment and Brendon might want to comment as well, just more broadly, on intercity fibre and how that's progressing.

The first question on narrowing our guidance range today – we obviously came out a little earlier than normal when we made our announcements on 21 May, and we put guidance in the market for FY25. So, since then, we've gone from May to August. We've absolutely made our decisions on pricing. We've got certainty around when they will go in on postpaid and prepaid. In addition to that, our enterprise agreements have gone to a vote of our people, and all four of our enterprise agreements were overwhelmingly voted through with a 'yes' vote.

So we also have further certainty there in terms of increases for our teams in terms of their wage increases over the year as well. There are a couple of things, but as you can imagine, just May to August, getting through year-end, seeing where we landed and those things firming up give us confidence, and that's why today we have narrowed the guidance range and taken out that bottom \$100 million of the range that we put in place on 21 May.

In terms of ARPU, I might get Michael just to talk a little bit more about mobile margin and what's happened first-half/second-half on intercity fibre. It would be good to get Brendon to comment. We're well into construction of a number of routes now, but there are 10 routes and they do take some time, so we see routes progressively coming online and starting to generate revenue and then building continuing – it will take a number of years, and Brendon can talk a little bit about what that timeline looks like in our expectations today.

But obviously, our goal – they're investments to generate incremental overall returns for the business, and as they come online and as we see future opportunities, we'll obviously look at the opportunities we've got around how we look to structure and fund any future investments. But what our focus is right now is absolutely getting those initial routes built, getting them ready for service and getting them in place to be able to support the capacity needs of our customers and switch that revenue on. But, Michael, why don't we go to you and then to Brendon?

Michael Ackland: Yes. It's a good question, Entcho, and I'll be super quick. The sequential change is really around the second half growth in hardware revenue – depressing that margin just slightly. I think once you strip that out, we're pretty flat. There's great operating leverage in the mobile business, particularly at an EBITDA level. I just think it's always worth remembering the level of investment required over a long period of time to get that EBITDA in motion, but good operating leverage in the business second-half sequentially – you can see that lift in hardware. Thank you.

Brendon Riley: Yes, thank you very much. Entcho, just some comments from me. I don't think we've given any guidance on the free cashflow on the project, but I think the previous guidance we've spoken about in terms of income, payback and the IRRs all hold. Just a comment on the Microsoft deal; very, very exciting for that to be signed. That's multi-route, very long-term, consistent with the guidance we've given the market in terms of the deal attributes. And the fact that Microsoft are committing to that well ahead of us completing the routes they're going to be using is a big vote of confidence in the project.

As Vicki has said a few times, demand is very strong. I was just in the US a couple of weeks ago, and you can see the push to drive the AI processing much more to the Edge across the US. That trend will continue here in Australia as well; look at DC to DC and AI workloads start to push more to the Edge. We think we're building the right tech, the right solution, the right topology to position ourselves incredibly well for that. And clearly, one of the key objectives will be to get cashflow-positive as soon as we possibly can. Thank you.

Entcho Raykovski: Thank you, Brendon. Maybe I can jump in just with a very quick follow-up? I mean, if I look at the parameters that you've provided, especially the high-teens IRR nine-year payback, it'd be very hard to achieve those if you're not cashflow positive in '27, wouldn't it?

Brendon Riley: I think we'll just have to put the runs on the board and deliver the results, Entcho, and work towards cashflow positivity as soon as possible.

Entcho Raykovski: Great. Thank you.

Nathan Burley: Our next question is from Darren Leung from Macquarie. Darren?

Darren Leung: Good morning, guys. Thank you for the opportunity. I might ask my three upfront, please. Just working through the free cashflow – can I confirm for the strategic investment component that you are happy to debt fund it, or is it coming out of operating cashflow?

On the second question, the fixed cost out of \$81 million in FY24 and \$228 million in FY25 – can you provide a little bit of colour as to how much is coming out of Enterprise? I guess I'm asking just in the context of one of the major contract losses that's effective into FY26.

And then the third one is just any detail you can provide around the Microsoft deal, please. So I know it's obviously a good deal. You're talking about time to ramp up. But I'm keen to understand a little bit about the revenue structure. Is it a flat fee or is there any sort of linkage to data usage or anything like that, please? Thank you.

Vicki Brady: Darren, I'm sorry to do this. Just on your second question, would you be able to – I missed some of that, and I think Michael might have as well. Would you be able to just cover it again? Apologies.

Darren Leung: Well, I mean, there's obviously a cost-out target for FY25 of about \$228 million. I'm keen to understand how much of that comes out of the Enterprise business versus the other segments.

Vicki Brady: Yes, got it. Thank you. Very clear. So why don't I cover the second two, and then free cashflow is a very hot topic today, so I'll come back to Michael to talk a little bit about free cashflow and our balance sheet. Just in terms of the cost-out – you're spot on. We are targeting to take \$228 million of net fixed cost core out in FY25, and that will bring us to the cumulative \$350 million of fixed cost core reduction from FY22.

So in the changes that we've announced – recently, we announced the up to 2,800 roles being impacted. Around half of that impact relates to our Enterprise business. And so as we look at our total cost out that we're looking to take in FY25, which right now we've got strong confidence that we can deliver on – yes, the changes we've driven – so there are cost reductions that come through in direct employee costs and the changes we've announced will deliver that, and Enterprise delivers around half of that.

We're also taking action on costs outside of labour, so continuing to push hard on driving cost reductions across all parts of the business.

But Enterprise, in our current changes we have underway, contributes around half of that. And just being very clear, we have our Enterprise function, but we have many other functions, with a functional organisational model that supports the Enterprise business. And so there has been change across those parts of our business, plus broader change as we look to make sure we're driving the right level of efficiency, and allocating resources to the areas of the business where we can deliver ongoing benefits for our customers and returns.

So then on the Microsoft deal, we announced it on Monday. Brendon and I have both referenced it briefly today. It is exciting to have them as a foundational partner and customer on our intercity fibre network, and it really does demonstrate how important that infrastructure is to support the technology needs of the country going forward. And it will be very critical for Microsoft, as they look at their infrastructure and delivering AI not just for Australia, but I think what this investment is demonstrating is that it starts to open up opportunities to think about Australia as potentially a hub to provide services into Asia as well.

The construct of that deal – it's a pretty typical deal when you're selling large amounts of capacity. Obviously, it's commercial-in-confidence, but I would think about it in the way you think about prior capacity deals we do. They are buying a significant amount of capacity over a long period of time, and the construct for that is consistent with how we've done those deals in the past. Michael?

Michael Ackland: Just on ICF and how we think about that in our free cashflow, I think the first thing I would say is that the balance sheet is very strong. We have lots of flexibility, and

based on our [Underlying] EBITDA guidance, we will continue to have that flexibility. What we have talked about, and you'll probably note it in the way we've done our guidance, we've talked about free cashflow before strategic investments, just to really call out the cashflow generation from our operating businesses. That is an important metric for us to grow. But we have that flexibility. We will continue to work within our credit metrics, and we think, as long as we're continuing to grow earnings and EBITDA, we have the ability to fund that growth as we've committed to.

Darren Leung: Great, thank you, guys.

Michael Ackland: Thank you.

Nathan Burley: Excellent. We will go to Tom Beadle from Jarden. Tom?

Tom Beadle: Hi, guys. Thanks for the opportunity. I'll ask three as well. Maybe just starting with International, there was a fairly large beat there to my numbers and consensus, and obviously, there was some one-off timing benefits there in Wholesale and Enterprise. So you can just quantify what they were? And can you also clarify if that earn-out adjustment relating to Digicel [Pacific] was adjusted for in your EBITDA on a guidance basis? It just isn't clear if I look at slide 40, whether or not it was.

Second question is just on InfraCo Fixed. I just wanted to ask about those internal revenues. They grew by 8% in FY24, I think, even 5% in the second half. I realise this all cancels out at the Group level, but could you talk to what's driving that growth, please, just given the revenue trends of some of the businesses which feed that line? It obviously drives cost growths in those businesses as well that just may not be consistent with the revenue trends. I'm just trying to understand, I guess, the drivers of that number.

Finally, then, just below the line; obviously, net interest and tax were below expectations on an underlying basis. I think that the underlying tax rate was 27.5, ex the one-off. Are there any one-off factors that we should be aware of that affected that underlying number? I know you don't usually give guidance below the line, but should we assume that you might receive any benefits there in FY25? Thank you.

Vicki Brady: Thank you, Tom, for that, and I can see there's a few there again for Michael, so I'll go to him in just a moment. Just in terms of International and the performance there, Michael might want to comment more broadly on some of the one-offs.

But I mean, the International business – obviously, there's two big parts of that. There's our traditional Wholesale and Enterprise business in International, which we're pleased with the performance on in the year. Then there's the Digicel [Pacific] business, which is obviously a very different business again. In terms of Digicel [Pacific], we did recognise release of an earn-out provision in the half. And in terms of how that was treated, that is included in our Underlying EBITDA numbers. It is consistent with our policy in terms of how we treat these things.

How it might help to think about that – when we did the Digicel [Pacific] deal several years ago, as part of that deal, we knew we were buying into markets where

it can be volatile and we knew that future outcomes – there can be many things that happen externally in those markets that can affect it. So part of that did involve an earn-out amount.

As we thought about guidance for FY24, we had that earn-out adjustment included as a hedge into our guidance for FY24. So just to be clear, the earn-out adjustment is included in the results. And you can see on our page where we have the detail on International, we have provided a view of the International business that excludes those one-off items as well.

So, Michael, why don't I hand over to you to add more on International. But sorry, I should have just said – also on InfraCo Fixed, where you see that second half growth in the internal revenues, that is to do with the timing of when the corporate restructure came into effect. That growth that you see is just due to the PCP when you compare to the timing of when those inter-company charges came into place. But again, Michael might want to comment more on that, on International, and then on our effective tax rate and looking forward.

Michael Ackland: Yes, no, happy to. I mean, I think if I just start on – why don't I go back to International? So yes, on International, there were some timing benefits in the second half. I think I'd look at, for our Wholesale and International, look at the full year as the guide for the go-forward position. There's also currency in there as well, that was probably a slight beat as well in terms of International.

From Digicel [Pacific], I think Vicki's described it. The release of the earn out is in our underlying result which is consistent with the way we've done it before. And I think when you normalise out for that, Digicel [Pacific] EBITDA was a bit disappointing, and went down, but was offset in our underlying results, both from the earn-out and currency.

For InfraCo Fixed, as Vicki said, there is a little bit there on the timing of the restructure, and those revenues are at a lower margin, so they gross up a little bit. If you look at the overall EBITDLaL margin, if you normalise for that, we have seen actually some EBITDLaL margin expansion as we've gone into '24, which is good to see. A small expansion, but an expansion.

Just on net interest, if I start with net interest, it was a good outcome. You can see our borrowing costs at 5%. We can all forecast where that's heading, but there's not probably a lot of new news there. And then on the tax, Tom, yeah, we don't usually guide going forward, but I would expect our tax would continue to be marginally below the statutory rate given our mix of domestic, international earnings, and then some of the one-off capital transactions that occurred during the year. But I wouldn't expect any dramatic change as we go forward, but marginally below that statutory rate.

Tom Beadle: Great. Thank you.

Nathan Burley: Next question is from Roger Samuel, from Jefferies.

Roger Samuel: Oh, hi, morning all. I might just ask three as well. The first one on Fixed C&SB, a very good result. Would you be willing to drop prices, or be more competitive with prices, in order to gain more sales in fixed broadband? And how are you

going with margin? Because previously you had a margin target of mid-teens for nbn.

Second question is on InfraCo Fixed, and I noticed that there is ongoing copper recovery revenue there. Do you expect this to continue going forward? And I imagine that this is a pretty high margin business as well?

And thirdly, just on the impact from the delay in 3G shutdown. So it's been delayed by a couple of months. If it's delayed further, do you think that will be some material impact on your costs? Thank you.

Vicki Brady:

OK, thanks. Thanks, Roger, for that. So I'll make a few comments, and then I'll get Brad to jump in on Fixed C&SB. I know he was looking forward to getting to speak a bit about that, and also I'll get Brendon to talk a little bit about InfraCo Fixed and copper recovery.

So just a couple of comments from me on each of those before I hand over to the team. Just on Fixed C&SB, I would call out the team have done a very good job in our Fixed C&SB business. The discipline that's been demonstrated on the cost structure there to get us into a position where, when it comes to margins, it is in a better position.

Of course, there's always more work to do. But just if I look at our nbn resale margin, which you're right, we had previously spoken a lot about, overall for the year on our nbn resale business in Consumer and Small Business, we landed, I think, at an overall margin of around 12%. And in fact, in the second half, did hit mid-teens in terms of the margin in that business. And it's a credit to the teams for the real discipline and execution they've shown in that business.

On InfraCo Fixed, I know Brendon will love to talk about copper recovery. There is still a lot of copper to recover, so we do see it as an ongoing opportunity in our business over many years to come.

On the 3G delay, we believe the steps, additional steps we've committed to take now, and the extension to start the switch-off from the 28th of October, will put us in a good place. We've certainly exhausted all avenues in terms of communicating to customers. I think the public awareness campaign that we will run jointly with Optus in the lead up to that shutdown is an added piece, just to make sure all Australians are absolutely aware of the action they need to take.

So I would hope we're not in a situation to extend again, but in the event we were, obviously in guidance for this year, we've thought about the current 28 October shutdown date.¹ It's not really the cost side that, for me, would be top of mind. One of the things, though, that we need to consider is one of the drivers of our reduction in our power use and our [absolute] Scope 1 and 2 emissions reductions, actually being able to switch off the 3G network and decommission that equipment, which is less efficient than moving to 4G and 5G, that would be one of the implications we would need to work through.

¹ 3G networks will commence closure from 28 October 2024. For more details, see <https://www.telstra.com.au/aboutus/media/media-releases/telstra-optus-extension-3G-network-closure>

But at the moment, our guidance takes into account that we are planning a switch off from 28 October, and I'm certainly hopeful with all of the actions we've taken, with the additional steps we've committed to and with that extension, we should be in a position where Australia is ready for that shut-off. We do know from prior shutdowns that there will be customers that don't take action until the network is switched off. So I would certainly encourage anyone, if you know anyone who might have a 3G device, might have a device that is on 4G but using 3G, possibly for emergency calls, to do the check. And it is not just handsets. It does go to things like medical alert devices.

So you will see that public awareness campaign, and we will be certainly looking to move to the switch off of that network, so we can obviously re-farm that spectrum into our 4G and 5G networks, and get the benefits for our customers of that better experience.

So Brad, why don't we go to you on Fixed C&SB, how you're thinking about that, and then Brendon on copper recovery.

Brad Whitcomb: Yeah, thanks, Vicki, and thanks for the question. And you're right, I was excited to talk about this. I think it's such a fantastic part of our business, and we had a real standout year. I think being able to nearly double the margin and get up to that quarter billion dollar EBITDA is a testament to the team. That's really come across a few areas. One, we have been investing in our systems and processes. We've talked about migrating off old stack onto new stack, and we're well underway on that process. In fact, we've stopped selling in our old stack in the consumer segment now, which is a great milestone for the team.

We have also been leveraging alternative technologies. So we've got our 5G home internet product, which we've nearly doubled the subscribers on that, albeit off of a modest base. We did launch our Telstra satellite home internet service, and customers are loving that.

We've been able to leverage our smart modem that we've got in the home which gives us great telemetry, so we can see what's going on with the customer experience and proactively improve that. We managed through some nbn price increases, and we're able to adjust our own prices in accordance, and just a relentless focus on cost. So that profitability has been really hard won. It gives us strategic options. We're not, at this point, prepared to step back from that profitability. So that's sort of a foundation for us now, and now we will look at how we grow our customer base over time.

Brendon Riley: Thanks very much, Roger for the question on copper recovery. Yes, super important program for us. It is long term. We have many years to come on copper recovery. We extracted over 17,000 tons of copper in the last financial year. That generates over \$100 million of income. And as you point out it, it is at a healthy margin.

As we go forward, and you start to get into some of the tail of copper recovery, then the extraction costs start to get a little bit higher. We've been helped by a very, very strong copper price. So we hope that that continues to hold up as well. And then one of the other initiatives we've had is to focus on reducing the theft of our copper assets, given how valuable they are. And I want to call out New South

Wales and Victorian Police who have been supporting us very strongly. So we have had a number of successful arrests. So that preserves the copper for us to extract and deliver benefits for shareholders. Thank you.

Nathan Burley: Thank you. We will have a few more questions from investors and analysts, and after that, we will take questions from media. So if you are media on the line and you would like to ask a question, please press star one to register.

Our next question is from Brian Han from Morningstar.

Brian Han: Oh, thanks, Nathan. You'd be pleased to know I only have two questions. Number one; with mobile margins approaching 50%, does that start to make Telstra sort of wary from a regulatory point of view?

And secondly, how many 5G mobile subscribers does Telstra have now? And do you have enough data points to make some comments about ARPU or user case differences between 4G and 5G? Thanks.

Vicki Brady: Thanks, Brian, for that. So let me make some comments, and then Michael may want to jump in as well. So just in terms of our mobile business, I mean, as you said, it's performing strongly. It's delivering strong margin. I would say, though, when you look at a business like ours, obviously EBITDA margins can be high, but we are also investing a lot of Capex into the business. And as I spoke about in FY24 as an example, \$5 billion in Capex and spectrum payments.

So obviously it's important to think about returns. And as we look at the overall business of Telstra, we've got Underlying ROIC at 8.3% above cost of capital, but we are still seeking to grow it. And I think as shareholders and investors, people would definitely like to see that Underlying ROIC continue to grow.

Our focus for mobile is absolutely about delivering a differentiated experience, and right back from the days of 3G and leading the roll out on 3G as Telstra, and then ongoing investment, that's back in 2005/2006, we're getting close to 20 years of really leadership in terms of mobile network and mobile experience for Australians. And that does mean one of the benefits is we're delivering a world class mobile network and experience to Australians.

And so that's really the foundation of our Mobile business, that investment, that differentiation. And what we see is for Australian customers, it continues to get more and more important, that reliance on your mobile service. We certainly, I think, all feel it in our day-to-day lives. We know our business and enterprise and government customers, it's such an important element.

So we continue to invest to deliver that experience and deliver on the demand, like the 20% growth in data. And so as we look at it, that's what sets our mobile business apart. And we can see customers making the choice again, with net growth in our mobile handheld customers of over 560,000 in the year. And yes, some ARPU growth. I think overall, ARPU growth for the Mobile business was around 2.1%. And that comes from the differentiated experience we're delivering.

In terms of 5G, we don't report or think about 5G subscribers. What we look at is the amount of data on our network travelling over the 5G network, and we have

gone beyond 50%, which was a goal. And so what we're seeing in terms of 5G take up is absolutely it's largely driven by device renewal. So when customers are in market buying a new mobile phone, the latest and the best performing, if you want to get the best performance across the technology that is deployed, certainly a large majority of people upgrade to 5G capable devices.

But yes, we've gone above now 50% of our traffic on the 5G network, and obviously close to the 3G shutdown, where we have less than 1% of our traffic today. So that's how we think about the 5G, this business. I don't know, Michael, if there's anything you wanted to add to that?

Michael Ackland: No, I mean, I think, Vicki, you covered it well. The way that I would think about it is, as we get more and more of the traffic off 3G onto 4G onto 5G, that's how we've been able to manage our cost in the face of that dramatic multiples of data increase over a number of years. So that move to the new technology is incredibly important to deliver against those customer needs, and a big part of the business case around that is cost.

Brian Han: Thank you.

Nathan Burley: Our next question is from Nick Basile, from CLSA; Nick.

Nick Basile: Morning, Vicki and team. Thanks for the opportunity. I've got three questions as well. The first one is just on the strategic investment pipeline, in regards to the \$300 to \$500 million and the profile going forward. Just interested to know what you expect to be the peak years of investment? And then also relating to that, just wondering whether you can tell us a little bit more about the mix between the ViaSat and the intercity fibre, if there's any difference in IRR as well.

And then the second one is on satellite. I notice you're talking a lot about the new satellite product, and I think Brad put out a blog post with regards to that in March. So just interested to know a little bit more about the wholesale or mix of relationships there; is that you as a reseller?

And then the third one on mobile. Just curious how you're thinking about SIO momentum into FY25? You talked about immigration falling, the Optus outage being a benefit in the first half. So is SIO momentum important to underpin your guidance in the Group EBITDA? Thanks.

Vicki Brady: Thanks. Thanks, Nick for those questions. Let me kick off, and then I'll get both Brad and Michael to make some comments as well. Just in terms of the strategic investment, so that we've separated out the Capex to have business as usual and strategic. As you point out, that \$300 to \$500 million guidance range on strategic does cover ViaSat and the intercity fibre project, remembering we expect that to be about a \$1.6 billion total program, finishing around FY27.

When we spoke to the return, so the mid-teens IRR, it was holistic across the intercity fibre and the ViaSat projects. And we don't, we haven't broken out the difference in those IRRs. So we think about them. The bigger piece of that investment is clearly the intercity fibre build, given its 14,000 kilometres of fibre we're building on 10 routes across the country. So it is the overall IRR in the mid-teens that we've talked about for that overall strategic investment, and that is the

timing; FY27 should be the final year of that program of Capex spend.

I'll get Brad to jump in on our new satellite product and how it is going in just a second. But yes, it is exciting to have that product in market. We are working, it is the Starlink product that we're reselling. But importantly for us and for the Australian context, one of the things we did there is, yes, it is a home broadband product, but you will see we have voice available. And that was a world first. That was a piece of integration that we did that was important for our context here, and particularly in light of, obviously, USO obligations in the country, and we do think there is more modern technology that can deliver those services at better quality for Australians. So it is exciting to have that in-market.

And I'll get Brad maybe to jump in on that. And whether he and/or Michael want to comment in terms of mobile SIO momentum. Maybe Brad on satellite, and then Michael can comment on overall mobile SIOs.

Brad Whitcomb: Yeah, thanks, Vicki. And it is exciting. I mean, it's just cool. I think a satellite to deliver that level of capability, and also being able to do a world first with Starlink. In terms of we had a very interesting marketing campaign, you might have seen that, very pronounced out in regional territories. And we've been selling hundreds to thousands of these per month. It's not massive numbers.

But one of the important use cases is we have customers, particularly in regional areas, that in some cases, are using their mobile device as a fixed service in order to power their home, and it's much more efficient to use the satellite network in that particular use case. So this gives us an option to be able to present to our customers where maybe the fixed service, the underlying fixed service, isn't very good, to be able to take pressure off of our mobile network and give a customer a fantastic service using the satellites in the sky.

Michael Ackland: Yes, so just on mobile momentum into '25. I mean, I think we've already announced price rises for postpaid and prepaid plans. The postpaid ones come into effect 27th of August. The prepaid ones come into effect the 22nd of October, and we had Belong price rises at the end of July. So that's going to be, that's a significant underpinning of our mobile service revenue.

On SIO momentum, yes, it's a factor, and we would continue to expect further SIO momentum into FY25. But of course, it's impacted by what happens with population growth and share and so forth. But we expect to see continued momentum even with those price changes.

Nick Basile: Thanks. And just to clarify that last point, Michael, when you say momentum, should we be thinking about it sort of in line with the second half, or better or worse? Can you comment on that? Thanks.

Michael Ackland: Yes, we probably wouldn't normally disclose exactly how that's playing out. But I would think looking at FY24 is, if you look at the trend FY23/FY24, overlay a little bit on what you think around population growth. That would be where I would land.

Nick Basile: OK, thanks.

Nathan Burley: Our next question is from Fraser McLeish from MST; Fraser.

Fraser McLeish: Great. Thanks. Just on the BAU Capex, \$3.2 to \$3.4 billion, I think Vicki, you've previously been aiming for BAU Capex to come down to \$3 [billion] over time. Is that \$3.2 to \$3.4 billion range the right one to use now? Also just you're in your final year of T25, you should be expecting to say something in this financial year about what you're expecting for beyond T25. And Michael, just that \$169 million Other cost line that's new this year, is that about the – is that the right number to use going forward for that line? Thanks.

Vicki Brady: Fantastic. Thanks, Fraser. I'll take the first two, and then I know Michael was looking forward to speaking to the Other line that you've just called out. So that will be good.

On BAU Capex, you're right. In our capital management framework, we talk about around \$3 billion in BAU Capex, remembering when we set that we had not acquired the Digicel [Pacific] business. So as we put together the way we wanted to position and communicate guidance this year, we thought it was useful to have BAU and strategic, given we've got the intercity fibre and the ViaSat projects running. So when you look at that \$3.2[b] to \$3.4[b], it does now include Digicel [Pacific] inside that. And I still think that's pretty consistent, Fraser, with around that \$3 billion. But I just want to be clear, Digicel [Pacific] does come into that number, which wasn't part of the Group when we originally talked about the around \$3 billion.

Just on the second point. Yes, we're in the last year of T25, and so very much our focus is delivering on our objectives this year, and continuing that momentum in the underlying business. As we think about what comes beyond that, we are thinking out to 2030. Given our business, the Capex investments, the size of the infrastructure business inside, we think that sort of timeframe is the right way to think about our ambitions going forward. And I would anticipate us being in a position to talk more about that with the market before the end of this financial year.

I am very, very focused on making sure, as a collective team, right across Telstra, we absolutely deliver on our commitments for FY25, which will be the best foundation to set us up for what comes beyond that. But excited, as we start to look at that, and some of the structural demand that is there for the infrastructure and the connectivity that we provide for our customers. So before the end of this financial year, Fraser, is what I would anticipate.

And Michael, over to you on the 'Other' item in cost.

Michael Ackland: Yes, other, Other EBITDA. Everyone's favourite line. I just thought maybe Fraser, it's worthwhile covering. There's quite a few things and ups and downs in there that will be in there from an up and down point of view. So this is where we capture the revaluation of employee liabilities based on bond rate changes. We revalue our liabilities. It's where we would capture changes in valuations of inter-company balances with FX.

It is also where we capture our audit fees and our licence fees in our insurance and our listing fees and all of those things. And also post the restructure there are some

costs that were previously allocated that are now no longer allocated, that are that are in the mid tens of millions, in that range. So there'll always be a few ups and downs in there, but there is a permanent set of costs, which is this, the costs that we would have previously allocated, as I said, mid tens of millions, and then the standard costs of our corporate audit fees and listing fees and other things. And then there's some things that move around.

It has looked, it is worth highlighting, it has looked, it has been significantly less in the past. There has been an offset in both '22 and '23 where we captured some benefit around in Fixed in HFC, where we didn't capture that in the underlying product, because it was a one-off, and it landed in in '23. So there or thereabouts. There are some permanent costs that will be there, but they relate to those. But there will always be a few ups and downs in that line from those other movements.

Nathan Burley: Thank you. Just a reminder to any media on the call, star one to register a question. And we will start with our last question from analysts; Scott Ryall from Rimor.

Scott Ryall: Hi. Thanks very much. I'm just going to ask Vicki one question, hopefully it's quite easy to answer. If I put you in a room with 10 Australian CEOs, which you would have the opportunity to do, I'm sure, that are reflective of your Enterprise business, can I just ask, how would you pitch to them on a three to five year basis, in terms of getting more of their business or increasing your margin?

And I guess this comes back down to previous questions I've asked around capability on Enterprise. Presumably, I mean, I think you've said before that you can't cut your way to glory in this division. So I'm wondering how you're investing in capability. What's the capability that you think you'll be able to deliver on a three-to-five-year timeframe that gets them excited about Telstra? Much the same as with mobile. I'm sure they all think you've got the best network for coverage and reliability. Therefore, it's a no brainer. I've been around Telstra long enough to remember when that used to be the case for your fixed line business as well.

So I'm just wondering, what are you going to pitch to them to get them excited about looking at what you're doing over a three-to-five-year timeframe, please?

Vicki Brady: Well, thanks, Scott, that's a pretty – that's a great question to finish on. So thank you. A bit out of the normal from our normal questions in this session of Q&A. So firstly, and I do get to spend, one of the great things about this job is I do get to spend time with other CEOs across the country. And so the first thing I would always start with when we're talking about what Telstra can do and help enable in terms of their outcomes for their business, obviously, connectivity is core. Any CEO, any business you speak to today, technology plays a role, a very big role, and an increasing role, as they think about how they map their future strategy and outcomes for their business.

That technology has to be underpinned by secure, reliable, resilient connectivity, whether that's mobile, whether that's fixed. The ability to orchestrate across all of that core infrastructure and network is incredibly important, and we have some very strong skills, not only in delivering the connectivity, but in the design, the build and the operate of those core Enterprise networks that companies are increasingly reliant on as the bedrock of their business.

The other thing I would say, Scott, that really comes up when I meet with other CEOs and we're talking about the future, and of course, in those conversations, it will come around to what role Telstra can play. When I meet with peers, most people are thinking about and wanting to learn from each other. How are you deploying technology in your business? How have you digitised, and how are you deploying things like AI to deliver outcomes for your teams and for customers?

And so when you look at our core capabilities, of course, connectivity, of course, that ability to build and deliver Enterprise solutions for organisations is critical. But as too are some of our capabilities, lessons and learnings from the migration to the cloud, where we do have strong insight and capability. Whether it be how we're deploying and digitising our business, how do we help share some of those lessons and learnings. And then in AI, with our Quantum/Telstra joint venture, another great capability we've got that we use ourselves internally, in how we're deploying and using AI and how we can work with our Enterprise customers.

And I would say Scott, it is absolutely leaders of businesses in the country, and it's absolutely leaders within government as well, as they increasingly digitise their operations so they can serve Australians even more efficiently and effectively. So they are some of the areas I would talk about, and great question to round up with Scott. Thank you.

Scott Ryall: Thank you.

Nathan Burley: Thank you, Scott, for that question, and thank you for all the investors and analysts that have asked questions. We appreciate your ongoing support and interest in our company. We'll now have a short break, after which we will have a time for media Q&A.

[Telstra video advertisements playing]

Media Q&A

Steve Carey: Good morning and welcome back to Telstra's full year results for 2024. We will now move to the media Q&A. My name is Steve Carey, and I'm the General Manager of Media at Telstra. In the session, we have CEO, Vicki Brady, and CFO, Michael Ackland, available to address your questions. For those media that haven't registered for questions, we would encourage you to please do so. Follow the pass code and then press star one to register. Our first question on the line is from Jenny Wiggins from the AFR. Jenny, please go ahead.

Jenny Wiggins: Thanks, Steve, and good morning, Vicki and Michael. I also have three questions, and this one follows on a bit from Scott Ryall's question. In terms of your long-term strategy, I mean, I'm getting the sense that obviously the Mobile business is doing very well, the infrastructure business is doing well, and you're talking a lot about selling connectivity, and the recent deal with Microsoft as an example of that.

As you're restructuring the Enterprise business, are you going to replace some of the products you previously sold with new kinds of products? I mean, you previously talked about AI and cyber security and cloud. Are we going to see

Telstra go out and make a whole lot of acquisitions in order to sell those services to customers in the future? Or are you really going to just concentrate on providing capacity on your network for Microsoft and others to provide those services?

And my other two questions were on, are you still considering selling your investments in the venture capital business Telstra Ventures? And on Foxtel, if News Corp does go ahead and sell Foxtel, would Telstra also sell its stake in Foxtel? Or do you want to retain that? I note in your annual report you talked about declining revenues from Foxtel. And also, can you also just give us an update on how many jobs have been cut to date out of that 2,800 that was announced? Many thanks.

Vicki Brady:

Excellent. Thanks, Jenny, for that. A good list of questions to cover off. So let me start with your first one around the long-term strategy. Look as we look forward, we see huge opportunity ahead, and I'm very optimistic, as I spoke about today, just that foundation of connectivity and telecommunications infrastructure is going to be so key. Because technology is going to play a big part in Australia's future, and that technology needs to be connected. So huge opportunity in Mobile and infrastructure.

In terms of our Enterprise business, we are part way through the full reset of that business and really a detailed review. So as part of that, what is absolutely clear, we do need to modernise our product set. And that will mean for our product portfolio that sits within Network Applications and Services, as part of that modernisation and refresh, we will be removing around two thirds of the products that we have in market today.

Now, some of that will be moving them to more modern versions of our own products. Some of that may well be where we decide we're better off to partner, or there may well be things there where we decide we're not the best provider of that going forward, and it's better for someone who's more specifically focused in that area to go forward on that basis.

Today, we do have capabilities in things like cloud and cyber. We have made acquisitions over the past. As we go through this review, one thing that is very clear to me is we must be differentiated in the products and services that we keep taking to market. And if we're not, then we will need to make those choices about those exits.

So at this stage, Jenny, I wouldn't see acquisitions as a core part of this strategy. It is really about making sure we get the foundations of the business right. We are strongly differentiated in the connectivity side and in large infrastructure projects for our Enterprise customers. And we know there is strong demand there going forward for services like cloud, like cyber, and we will work through what's the best way for us to participate in that as we look forward. So hopefully that helps a little bit.

I might, maybe just on the Telstra Ventures one next, I might get Michael to make some comments on Telstra Ventures, and then I can come to your third question.

Michael Ackland:

Yes, sure, thanks. So we rebranded Telstra Ventures to Titanium Ventures a number of months ago, and I think that was really to set them up for the future.

And with our focus on capital, we are absolutely exploring our options to sell our stake in Ventures, and that exploration continues.

Vicki Brady: Thanks Michael for that. And then Jenny, I think actually you had two more questions. Yes, there was Foxtel. And then there was a question around jobs as well. So let me just talk. So as you saw, as News Corp shared at their earnings call last week, they have had an approach around Foxtel. Now, as was made very clear last week, that's very early stage, and there's no decisions made at this stage.

And so what I would say, as we look at Foxtel, we own a 35% stake in Foxtel. We've been long term shareholder in that business with News Corp. What's been really pleasing to see is how Patrick and the team have really transformed that business over the last few years. And obviously Kayo and the subscription business, the streaming business that now exists there, is such a stark difference to where it was many years ago.

So in terms of, as I said, very early stage, there are no decisions made. But from our point of view, if it got to the stage where there was an offer for Foxtel at the right level of value, then yes, we would be supportive of that with News Corp. So just to be clear on Foxtel. But we're not at that stage; a very early stage, but yeah, are pleased with the job that Patrick and the team have really done, transforming the Foxtel business. And we remain 35% owner of that business.

Just in terms of announcements we made back in May, we did announce that there could be impact on up to 2,800 jobs. Where we're at now, we have now communicated to our teams, so we're in the final stages now of those changes taking effect in the organisation. How we got there in the end, we did not fill some vacancies. We managed to have some other spend we pulled back. But we are at the end, and in the final stages of implementing the change around those job changes within our teams right now.

Jenny Wiggins: OK, great. Thank you.

Steve Carey: Thank you Jenny, thank you Vicki and Michael. Our next questions will come from David Swan from Nine Media. Go ahead David.

David Swan: Thanks very much, and thanks as always guys, for the time and the opportunity. Just the three questions from me as well. I wanted to ask about the Enterprise business unit, first of all. Just if that review is still ongoing to date, and if it's possible that more jobs will need to go from that unit potentially than have previously been announced? Or are things stabilising from a head count perspective?

I wanted to ask about the 3G shutdown as well. It seems like there's still quite a lot of consumer anxiety out there. Should the government have maybe taken more of a lead when it comes to communications to Australians, given it seems that they would have been well placed to do that, and maybe do advertising and things like that around the impending shutdown.

And thirdly, I just wanted to ask about the upcoming price rises in the context of cost of living pressures. What makes me confident, I guess, that customers will stomach those higher price rises, and that churn will be relatively limited? Thanks.

Vicki Brady: Thanks, David for those questions. So just on our Enterprise business. So the reset is underway. We have a detailed review. It is ongoing. But what I'm very confident in is the initial actions and decisions we've made. So the choice over the coming years to reduce the Network Applications and Services product portfolio by two thirds, to simplify that. Secondly, to reorganise our teams to deliver better for customers and to reduce costs. And then finally, some of the commercial guardrails we've put in place inside the business to ensure we're aligning customer needs to the areas where we can differentiate the most, and deliver the right overall outcomes for our business as well.

So that work is ongoing in terms of making sure we do fundamentally reset that business. There's been a huge amount of technology disruption. There's been the nbn build into business and enterprise customers. So a lot of change has happened over a number of years. So this is an opportunity to really reset that business.

And as part of that, of course, we are through the job changes in the final implementation of what we announced in May. But as our business continues to evolve right across it, of course, we've got to continue to be making sure we're making the most of investments, where we're digitising the business, and getting those benefits for customers and efficiency into our business. But we are through the final stages now of the current changes.

In terms of the 3G shutdown, it was five years ago that we announced we would be shutting down our 3G network, and that's because we have 4G and 5G networks now built that deliver better outcomes for our customers. And so we've had extensive work underway, communicating to our customers, getting those messages out there.

Look, we've listened to feedback, and we've worked in a very constructive way with government as we work through this process. Because we know it is a big changeover, and what is different this time around with 3G is we have a lot more things connected to the network, not just mobile phones. And so we made the decision as an industry, and as Optus and ourselves announced, we will now commence the shutdown of the network from the 28th of October.

We will jointly fund a public awareness campaign in the final stages, just to be very, very sure that all Australians know what action they need to take. And I would really encourage people, if they're unsure, to please check, because it will be from the 28th of October that we will be shutting down. And remembering 4G and 5G networks are more reliable, they are more secure, and they deliver just an overall better experience.

So we have less than 1% of our traffic remaining on our 3G network. But it is important we manage this transition smoothly, and it has been a very collaborative effort between the industry and government as we get to these final stages of the shutdown.

And then your final question; yes, we have made announcements and communicated to our customers pricing changes that are upcoming in postpaid late August, and in prepaid coming up later in the year, in October. Look, what we need to balance up, we see huge demand for our mobile services. We saw data

traffic grow again in FY24 on our mobile network by another 20%. We see consumers and businesses relying more than ever on their mobile devices. And we're also very aware of the pressures consumers are feeling at the moment from a cost-of-living point of view. And that's why it is so important in what we provide to our customers, there is absolute choice.

So our mobile plans are month-to-month plans, no lock-in contracts. There's a wide range of choice on the Telstra branded offering, postpaid, prepaid. We have a multi-brand approach with our Belong brand, with Boost, and we also have our MVNOs, who operate on our network as well. So we're absolutely aware of that. We make these choices in a very careful and considered way. But given the demand, the amount of investment in our network, the experience that people rightly expect, we do need to get these balances right. We do have choice there, and we do have support for customers who might be in need of additional assistance. We supported another 1.4 million customers in vulnerable circumstances in FY24 to remain connected. And I'd encourage anyone who is needed that help to please reach out to us.

David Swan: Thanks.

Steve Carey: Thanks, Dave. Thank you, Vicki. Our next question comes from Joseph Lam from The Australian. Go ahead Joe.

Joseph Lam: G'day Vicki. First question is about your Fixed Enterprise business. So can you share why, can you provide some clarity on why the business is underperforming, and whether it's being outcompeted by other providers outside of the telco sector?

My second question is on wages inflation. So I'd like to know the impact on the business, and whether that will have an impact on any of the job cuts that Telstra announced in May. So whether those staff are likely to receive salary increases and whether it's going to cost more than the \$247 million mentioned?

And then my last question is on price hikes. So obviously price hikes were put up last month. I'm just curious as to how long those price hikes will be above inflation. Thank you.

Vicki Brady: Thanks, Joe, for those questions. So first, in terms of our Fixed Enterprise business, there has been a huge amount of structural change that's happened in terms of that business. So technology has changed dramatically. So we have a transition of customers from what today would be considered more legacy products and services, into newer technology products and services. So that's been one of the changes.

We've also absolutely seen the way that enterprises buy products and services. We are seeing more players that play a role in that value chain. And as an example, as enterprises move to the cloud, obviously the big technology, hyper scaler companies play a bigger role in that. So there has been large structural change underway.

In addition to that, what we have seen happen from the very late part of last calendar year, and we see it continuing through this calendar year, is we have seen businesses pull back a little bit from any spend that might be more discretionary

in nature, where it might be a digital transformation project. And that in particular, that has impacted our Network Application and Services business, particularly our Professional Services business, where we did see our sales pipelines reduce, we have seen customers pull back, as I said, from some of those transformation projects.

So there is a combination of structural change, and we have seen a little bit of cyclical impact of businesses just holding back on some of those transformation projects. So multiple, multiple changes going on in our Fixed Enterprise business. We have taken initial, immediate action. I continue to remain confident that the core of that business, those connectivity products and services we provide, remain in very strong demand, and we are differentiated there. And we continue the ongoing reset of that business is underway.

Just in terms of our team members. Recently, our teams voted overwhelmingly through our enterprise agreements, so they come into effect in terms of wage change there from 1 October this year.² So it was great to see our team see those terms and conditions be valued and, as I said, an overwhelming ‘yes’ vote across our four enterprise agreements that are now in place.

We’re in the final stages right now of working in a very transparent way with our teams of implementing the final changes from the job changes we announced back in May this year. So that will see those people that are impacted, as I said, in the final stages now, and they will transition out of our business in September.

And then, yes, you’re right. We announced recently price changes coming up. So for our postpaid customers, in the later part of August this year. The thing we do see is customers absolutely valuing the quality, the reliability, the security, of the connectivity that we provide to them. We do provide a lot of choice and option for our customers with no lock-in contracts, so they can choose the plan that best suits their needs.

As we make those decisions, we obviously made choices around pricing at different price changes across different plan levels, because we know segments of customers value various things higher than others. And so we’ve made those choices very carefully as we implement these price changes. And we know how much our customers rely on our mobile network and our fixed products and services, and we continue to invest at high levels to be able to deliver the sort of experience they rightly demand, and also to meet the demand growth, with more than 20% growth in data on our mobile network again over the last financial year.

Joseph Lam: Thanks very much for your time.

Steve Carey: Thanks, Joe. For those that may have just joined the call, we just remind you that if you are on the conference link, if you please register for questions; you just need to enter the pass code and then press star one to register. Our next question comes from Josh Taylor from The Guardian. Go ahead, Josh.

Josh Taylor: Hi. Thanks very much for your time. I have similar questions to what’s been asked before. Just on the price increases, just wondering, it sounds to me like you’re

² Date subject to receipt of approval from the Fair Work Commission.

essentially saying in a manner of speaking that you're testing what customers are willing to pay, and going to that maximum limit in order to – if you look at how much Telstra is returning to shareholders, it seems that Telstra is basically charging its customers as much to maximise that shareholder return. You can see in the annual results that customer rates, the growth that's coming is from increasing prices on mobile. So I just wanted to see, is that how you're determining the price increases?

Secondly, just on the 3G shutdown, I remember in one of the parliamentary inquiries that they talked about keeping sections of the 3G network open until there is equivalent 4G. So that 28th of October is not a hard deadline. It's going to be a gradual thing, is that right?

And thirdly, just AT&T in the US recently had a pretty massive data breach of all the intimate customer information. How much does it keep you up at night, the amount of information on your customers you need to retain for law enforcement purposes and other purposes, the risk that that presents in terms of a potential data breach?

Vicki Brady:

OK, thanks, Josh. Thanks for all of those questions. So just in terms of as I think about the business, and part of running the business is obviously making trade-offs and choices around, how do we keep investing at the right level to deliver for our customers, to support our teams, and yes, balance, of course, returns to shareholders who invest in us? And remembering when we pay dividends, it's about 16 million Australians that benefit from that. So they're either shareholders directly, more than 1 million direct shareholders in Telstra, and then through superannuation funds in the country. So we've got to balance all of those things.

As you look at returns to shareholders, one of the important things to look at is Return On Invested Capital. And we invest large amounts of Capex. We are the largest investor in digital infrastructure in the country. So in FY24, \$5 billion of Capex and spectrum payments made. So the thing we've got to get right is to make sure as a business, we can keep investing in all of that infrastructure, in our networks, in all of the elements that customers value in the service we provide. But we've got to be able to do it on a sustainable basis.

And so that means we've got to make choices and decisions on where to set the price. It means we've got to make choices and decisions on the cost base of our business so that we can keep investing in what customers rely on and depend on.

And when I look at our Mobile business, it is performing strongly, and that is coming from two things, fundamentally. One, more customers choosing the Telstra network. We grew mobile handheld customers by more than 560,000 in FY24, and our overall revenue per user grew at about 2.1%. So still significantly below inflation in the country. So that's how we think about and balance those things.

In terms of 3G shutdown, we have announced an extension. So the shutdown will commence from the 28th of October. Just to be clear, we made a commitment right from the outset, as we move to transition off 3G, that we would have 4G equivalents. That is in place. We have a couple of very small number of sites remaining to have up and running, but we do have 4G equivalents. So that is a

commitment we have made, and we continue to test and ensure we've got that in place as we head towards shutdown from the 28th of October.

You mentioned data breaches. There's obviously been a number of large data breaches that we've seen globally. One of the things, as we see these happen, we always take learnings, we always take lessons. Over the last couple of years, a real focus for us has been making sure with customer data we hold only what is necessary to keep holding. And where we do need to keep holding it, and there are very valid reasons, for many varied reasons, why we need to hold that customer data, we ensure that we have the best protection we can put around it.

So absolutely, it is something at front and centre as we think about keeping ourselves secure and protected from cyber attacks, and then how we make sure we keep the data we absolutely need to hold for customers, but also the data we do keep, keeping it as secure as we can. So Josh, thanks for those questions.

Josh Taylor: Thanks very much.

Steve Carey: Thank you, Josh. Our final caller with questions is Grahame Lynch from CommsDay. Grahame, please go ahead.

Grahame Lynch: Good morning team. Hope everyone's well. My first question is to Vicki. In the preamble, you talked quite a bit about the criticality and centrality of Telstra to the economy and to society. Can you expand a bit on those thoughts, and particularly the message that you're trying to send to stakeholders in the government and regulatory space on that front?

My second question is to Brendon. You mentioned the movement of AI to the Edge and the opportunities that that presented for Telstra. Can you talk about specifically what products you think that will stimulate in terms of Telstra? And with all the competitive activity in that space, with fibre to data centres and so on, so how does Telstra pitch itself competitively against those rivals?

My final question is for Brad. nbn's seeking to compress its high speed prices, for example, 500 megabit for the price of 100 megabit, that type of thing. If this all goes ahead and there's a big shift in the value for money equation from nbn, how does that impact Telstra's product range in the market? And also, how does it influence, maybe say the high speed propositions in 5G and fixed wireless as well?

Vicki Brady: OK, thanks. Thanks, Grahame, for that. And just to let you know, you've got Michael and I on for this session, so Brendon and Brad aren't with us anymore.

Grahame Lynch: Oh, I didn't know that, OK, sorry about that.

Vicki Brady: No, no, not at all, not at all, and we will do our best to cover all those questions.

Grahame Lynch: OK, OK, OK.

Vicki Brady: Excellent. So let me start with your first question. Yes, so today, I spent a little bit of time speaking about the telecommunications industry, and obviously Telstra's role within that industry. I do see, I mean, you look at our future as Australia, every version of that future has technology playing a key role. And Grahame, the

thing I wanted to reinforce, which I think sometimes is overlooked when you engage with various stakeholders, is just how fundamental connectivity and telecommunications is, to be able to be the bedrock that supports that technology that's so important to the future of the country.

And we've been very transparent and upfront in terms of some of the areas where we see real opportunity. And we've worked in a very constructive way, and continue to work in a very constructive way with government, with regulators. And so I really was making the point, we need an environment where strong private sector investment is encouraged. Also where we have regulations in place that really encourage the latest technologies to be able to be adopted to deliver the best possible outcomes for Australians.

And then I think we have an opportunity to really reinvigorate the co-investment programs in the country, so we can move in a simpler, more quick way to be able to be sure we're delivering some of those services and products and connectivity into regional Australia, where it does absolutely make sense in circumstances to have co-investment and government funding there. So they were the areas I was touching on. And I'm really optimistic about the future, and I think the role the telecommunications industry, and the role Telstra can play in that is an exciting one, as we look forward.

Just in terms of Brendon did make some comments today. He was speaking about the opportunity we see ahead in our infrastructure business. And what is exciting when you think about our infrastructure business, particularly you look at InfraCo Fixed, which is what Brendon was touching on today, we have an enormous number of fixed network sites that are part of that portfolio. And as we look at where technology is headed, we know it's been talked about for a little while, but the move to the Edge, and we certainly now see it with where Generative AI is headed, the amount of processing power needed closer to customers. We do see that opportunity over time where there will be a need to move closer to customers.

And we do have facilities. We have fixed network sites across the country. They're set up already. They've got power to site, they've got air conditioning to site, they already house telecommunications infrastructure within them. So we do see an opportunity over time, that is different. It's a different opportunity to the opportunity the big data centre players are rightly competing in today with the big data centres. But we absolutely see an opportunity over time in terms of the assets and infrastructure we have in place across our InfraCo Fixed business. Clearly, intercity fibre is another big opportunity, and we're investing in that, and obviously having the Microsoft deal announced at the start of this year – start of this week, sorry, I'm losing track of time. Start of this week, given they will be a foundational partner on that intercity fibre network.

And then we don't have Brad with us on nbn, but you have Michael and myself. Look, there's a lot going on. And what's exciting as you look at what nbn is investing in, some of the changes they're looking at, some of the change in investment, for example, into their fixed wireless network, the benefits that will deliver for customers, the upgrade to fibre for customers.

I mean, the thing we're excited about there is it just grows that suite of products and services at those really high-quality level of experience and delivery for

customers. So we have a big portfolio of home products that we can deliver for customers based on what's right for their needs. And so obviously, as nbn's thinking continues to evolve and they upgrade technology further, of course we're in the thick of thinking about that, and how do we best bring that to market? And it's exciting. Fibre Connect is obviously a big focus for the market and customers at the moment, and we're excited to be out there delivering that for our customers on the nbn network as well.

Grahame Lynch: OK, thank you so much. Have a great day.

Steve Carey: Thank you, Grahame, and thank you to all our media that called and registered for questions, and for all the media that have listened in to today's presentations on our full year results. This will conclude the presentations and the Q&A section for media. Thank you again for your time, and we will now formally close the broadcast. Thank you.

[End of Full Year Results Briefing]