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Telstra Full Year Results Presentation, 17 August 2023 - 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 17 August 2023. The transcript is also provided for the information of Telstra Corporation Limited noteholders.

Release of announcement authorised by:

Sue Laver
Company Secretary

Telstra Full Year Results Presentation, 17 August 2023 – Transcript

Introduction from Vicki Brady

Vicki Brady: Good morning, and welcome to Telstra's results announcement for the full year ended 30 June 2023. 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 Nation peoples have to land, waters, and culture. We pay our respects to Elders past and present.

Today I will make some brief comments on our key highlights. Michael will then take you through the financials in detail, after which I will summarise our progress against our T25 Strategy, and FY24 key focus areas. We will then take questions from analysts, investors and media.

Overall for the year, our results show continued growth in reported and underlying earnings, with positive momentum across our key indicators. This momentum is also reflected in the progress we have made in the first year of delivery against our T25 strategy.

Focusing on the key highlights for the year. Total income was up 5.4%, and EBITDA increased by 8.4%, driven by momentum from our mobiles business, and support from the acquisition of Digicel Pacific. Underlying EBITDA increased by $699 million, or 9.6%, to $8 billion. Excluding Digicel Pacific, underlying EBITDA increased 5%.

EBITDA growth flowed through to [a] 13.1% increase in net profit after tax, to $2.1 billion. Reported earnings per share increased 16% to 16.7 cents. Underlying ROIC increased to 8.1%, and is back above our cost of capital. Our Episode NPS increased by six points to 43, which is three points above target.

Overall, our T25 strategy is on track, including our growth ambitions in underlying EBITDA, and earnings per share.

On the back of continued growth in the year, the Board resolved to pay a fully franked final dividend of 8.5 cents [per share], bringing total dividends for the year to 17 cents [per share], and representing a 3% increase compared to last year. The final dividend is consistent with our policy to maximise the fully franked dividend and seek to grow it over time.

While our overall momentum is good, we have some parts of the business performing well, and others where we continue to see challenges. Our mobile business remains central to the growth, and continues to perform very strongly. Our Consumer and Small Business Fixed, International Infrastructure, and Telstra Health businesses also grew earnings.

At the same time, there are aspects of our Enterprise Fixed business that are experiencing headwinds. In particular, data and connectivity and calling declined at a greater rate than we anticipated. We are focused on maintaining momentum in fibre, scaling and simplifying our products to meet customer needs, reducing costs, and driving growth across NAS. Michael will speak more about this in detail.

We remain disciplined on costs, particularly considering the external economic environment.

Looking beyond T25, as connectivity increasingly underpins the way Australians live and work, we are in a strong position to play an important role in Australia's digital future. The infrastructure investments we are making, including our intercity fibre network and submarine cable network, will underpin a more digitised future for the nation, and see us strategically positioned for growth.

We are working with customers across industries to help them digitise, and unlock productivity gains that flow through to the national economy and to global markets through our International business.

We also continue to invest in capabilities and partnerships to grow our offerings in areas including artificial intelligence, data analytics, Internet of Things, and cyber security, and I am optimistic about the potential for growth in these areas beyond T25.

At the same time, we are bringing new and better connectivity options to regional and remote areas, that help to close the digital divide, and lift digital inclusion. I believe Telstra has a critical role to play in Australia's future, and the significance of that role will only grow.

I will now hand over to Michael to go through the numbers in detail.

Presentation from Michael Ackland

Michael Ackland: Thanks, Vicki. I am pleased to present Telstra's full year 2023 results, which show continued momentum from the first half in line with our T25 growth ambitions. I'll step you through the high level results, before getting into some detail.

Starting with our income statement on slide 7, which clearly demonstrates our growth. Total income was $23.2 billion, up 5.4%. EBITDA was $7.9 billion, up 8.4%. Underlying EBITDA was $8 billion, up 9.6% from ongoing organic growth across several products, including mobile, and [from] M&A, including our acquisition of Digicel Pacific.

Excluding Digicel Pacific, underlying EBITDA grew 5%. Depreciation and amortisation increased with [the] contribution of Digicel Pacific this year. It is expected to increase again next year, given shorter life capex spend in recent years.

EBIT was $3.4 billion, up 17%. Net financing cost increased around 27% over the year, reflecting higher debt levels following the acquisition of Digicel Pacific, and higher borrowing costs.

Tax also increased nearly 22% on higher profit. The effective tax rate was 28%. Earnings per share was up 16%, reflecting higher earnings and lower average shares on issue, following our buyback in FY22.

Looking at product performance on slide 8, we saw strong earnings growth in mobile and International, as well as InfraCo Fixed, Fixed C&SB, and Amplitel, demonstrating the resilience and diversification of our portfolio. This was partly offset by the decline in Fixed Enterprise.

Mobile benefited from growth in service revenue, while International growth mostly came from the acquisition of Digicel Pacific. Pleasingly, Telstra Health revenue was up 25% to $305 million in the period, with organic growth, as well as from M&A. This is included in the 'other' on the slide. While we remain positive about the future of Telstra Health, we now expect to reach our ambition of $500 million in revenue beyond the T25 period.

I'll step you through our key products, starting with mobile on slide 9. In mobile, we achieved continued growth in revenue, EBITDA and SIOs, with disciplined execution of our strategy. In the top left chart, you can see mobile service revenue up 7.9%. All segments and sub-products, including mobile broadband, IoT and wholesale, grew. IoT SIOs in particular continued to scale.

International roaming lifted by $185 million, with customer activity around pre-COVID levels in the second half. Service revenue excluding international roaming and a $42 million one-off in prepaid in the first half, grew 4.8%. Our ambition is to continue mid-single digit growth in [service] revenue to FY25.

In postpaid handheld, we added net 86,000 SIOs during the year, while prepaid handheld unique users increased 247,000. Wholesale unique users also grew 298,000. These results were driven by market growth, particularly at the low end, the lower price points, including the impact of the return of incoming travellers and migration, and price dynamics including the impact of price rises announced during the year. Our focus remains on ensuring our multi-brand strategy delivers optimal value outcomes.

Postpaid handheld ARPU, shown in the bottom left chart, grew 5.4%. This was driven by C&SB plan price increases in line with CPI, and higher roaming. This was offset by negatives, including Enterprise messaging benefit last year.

Prepaid handheld delivered a strong performance. This was driven by SIO growth and increased data usage, as well as the one-off benefit from product migration we announced in the first half.

Finally, hardware revenue also grew over 12%, with higher margins from greater pricing discipline, and following the insourcing of the stores.

In Fixed C&SB, we have continued to execute on our growth strategy, in what continues to be a competitive market. We are continuing to invest in customer experience. The majority of new sales are now being made on the new digital stack, which also supports greater efficiency. Our nbn reseller margin has increased to over 8% from 5% last year, driven by 3.6% ARPU growth following price rises, and careful cost management. Fixed wireless continues to scale, with broadband and voice services contributing to improved margin outcomes.

We've made progress. However market dynamics remain challenging. We are yet to see a stabilisation in SIOs, and have more to do. In addition, the protracted nbn SAU processes [has] led to delays in some of our commercial execution. We will continue to take action to ensure we have a sustainable reseller business, however our ambition of mid-teens margin is unlikely to be met by FY25.

Our primary focus is to deliver EBITDA growth across the Fixed C&SB portfolio by limiting on net legacy losses, ongoing cost efficiency, and optimising our customer propositions across technologies and brands.

Turning to Fixed Enterprise on slide 11, which is made up of data and connectivity, and network applications and services. Clearly Fixed Enterprise has its challenges. Overall revenue fell, with growth from NAS offset by declines in DAC. DAC revenue declined 16.2% as it remained impacted by ongoing disruption from technology change and competition. We continue to see ARPU compression as we reprice and proactively renew customers. We expect further ARPU declines to FY25. Positively, we have seen improvement in fibre SIOs, including nbn Enterprise Ethernet.

We remain focused on customer retention, simplifying products and IT platforms, improving customer experience, and reducing cost to connect and serve through automation. NAS revenue grew 3.4% with growth from professional and managed services, cloud, security and acquisitions, offset by calling, where decline accelerated beyond our expectations. Excluding calling and acquisitions, NAS revenue increased 7.1%.

Our focus remains on building deep strategic relationships with hyperscalers, extending our industry expertise with industry specific partners, applications and software, [and] in growth areas such as cybersecurity.

Notwithstanding ongoing headwinds from calling, our revised ambition is for NAS revenue and EBITDA annual growth to FY25. While we believe a mid-teen margin is required to deliver appropriate returns from this business, and it remains our longer term ambition, we do not expect to achieve this within the T25 period.

Turning to International on slide 12, which includes the results of Digicel Pacific acquired during the year. Digicel Pacific contributed income of $719 million, up 2% on pro forma FY22 at constant currency. EBITDA was up 5% on the same basis. As noted in our half year results, the implementation of the corporate restructure has introduced internal revenue and costs to International reporting from the second half of the year.

Excluding Digicel Pacific, external International income grew 2.3% on a constant currency basis. While reported EBITDA was down, International EBITDA excluding Digicel Pacific and corporate restructure impacts grew 5.7% on a constant currency basis. Demand for Pan-Asia connectivity remains strong, and we are well positioned with our unique assets. We're also continuing to invest to build capacity for long term growth.

Turning to infrastructure on slide 13. InfraCo Fixed EBITDAaL grew 3.9%, excluding commercial and recoverable works, and legacy network disposals, representing growth from core access for ducts, fibre and network sites.

Core access grew [from] both internal and nbn recurring revenue growth. The latter grew 6.1%, supported by CPI indexing, with a 7.3% price increase from 1 January 2023. This was offset by declines in nbn commercial works in line with contract expiry. Overall, [reported] EBITDAaL grew 0.1%. We are focused on InfraCo growth and efficiency. These are long term assets, and we are investing for the long term.

Investments in strategic infrastructure projects began during the year. We expect our new intercity fibre network to deliver growth from FY26 as capacity comes online. Operating and maintenance costs also increased, and they will again to FY25, as we improve asset quality and efficiency in the medium term.

While we continue to demonstrate the growth potential of our infrastructure through Amplitel, it grew EBITDAaL by 9.2% from increasing tenancy on new towers, and strong demand [from] new tenants for existing towers. With over $2 billion in long term contracts signed, we're excited about the future of this business. Given this performance, we see Amplitel EBITDAaL CAGR increasing from low to mid-single digit, to mid to high single digit to FY25.

Turning to our operating expenses, which you can see on slide 14. Total [operating] costs increased 4.1%. The focus of our productivity program has been fixed cost core, which we reduced by $41 million over the year. We have delivered this absolute cost reduction and net productivity, in spite of onshoring of call centres, higher than anticipated inflation, $45 million higher energy cost, and FX headwinds.

Labour costs are the biggest component of fixed costs core. While we have Enterprise Agreements in place for the FY24 period, which provide a degree of certainty, we do not have an agreement beyond October 2024.

Energy costs are expected to rise in FY24. However, further increases are largely hedged for FY25.

Our ambition for fixed costs core reduction of $500 million remains unchanged. However, it has only become more challenging throughout the year, given the persistence of inflation, and the potential for this to continue. While we still expect to achieve the large majority of this ambition by FY25, the level we achieve will ultimately depend on factors including inflation, wage negotiations, and decisions we make around investments.

Areas of productivity we remain focused on include: migrating customers off legacy platforms, exiting products and further automation and digitisation; efficiency in our IT software costs; decommissioning legacy infrastructure; and further benefits from AI. Above all, we remain resolutely committed to achieving our T25 underlying EBITDA and EPS growth ambitions.

Turning to free cash flow on slide 15. Our free cash flow was around $2.8 billion on a guidance basis. As previously indicated, the second half saw an increase in cash flow. The decrease in cash flow compared to the prior year was primarily driven by an increase in capex, and movement in working capital.

In FY22, reduced receivables, including from lower hardware sales, resulted in a release of working capital, while in FY23, it was largely flat. Pleasingly, our receivable metrics, including day sales outstanding, aged debt and bad debt, remain broadly flat year on year, with consumer metrics at historic lows. We continue to monitor the macroeconomic environment, and the outlook for continued cost of living pressure for the community and small businesses.

Capex increased on the inclusion of Digicel Pacific and strategic investments. As noted at the half year, payments related to M&A included the acquisition of Digicel Pacific and associated earnout.

Turning to our capital position on slide 16. Net debt increased over the year, largely due to non-recourse funding for the acquisition of Digicel Pacific. Borrowing costs increased to 4.6%, due to higher floating interest rates, and the higher cost of the Digicel Pacific debt. Average debt maturity is 3.9 years, and approximately 70% of debt is subject to fixed rates. We remain in our comfort ranges for all credit metrics, with debt servicing at 1.8 times.

Underlying ROIC improved to 8.1%, consistent with our T25 ambition. Note that average invested capital will increase next year due to spectrum and Digicel Pacific.

Turning now to guidance for FY24, which can be seen on slide 17. You can see the ranges, along with the conditions, upon which we have provided them.

On income, the range shown here reflects continued momentum in service revenue, but lack of certainty on the level of hardware sales. Underlying EBITDA guidance is consistent with our T25 ambition for mid-single digit CAGR, FY21 to FY25. Capex guidance of $3.6 to $3.7 billion includes: around $300 million of strategic investment outside of BAU for [the] inner city fibre and Viasat infrastructure projects; around $150 million for Digicel Pacific; and increased commitment to infrastructure investment in International. This guidance excludes material one-offs, such as spectrum payments, and potential cash amounts relating to nbn network rollout progress and remediation costs is detailed in our accounts.

Importantly, we expect to continue to achieve strong cash flow, enabling us to invest for growth, and deliver returns to our shareholders.

So to summarise: our business continues to grow; we're focused on delivering our growth strategy, maintaining cost discipline, as well as navigating the challenges within our net legacy products; and we remain well positioned in the current economic environment.

Finally, I'd like to thank the Telstra team for their ongoing efforts in delivering value for our customers, the community, and our shareholders. I'll now hand back to Vicki.

Presentation by Vicki Brady

Vicki Brady: Thank you, Michael. So as you can see, overall, we've achieved positive momentum, driven by continued growth across several products, including mobile, with some challenges in Enterprise Fixed.

Turning now to our T25 strategy. In a few months' time, we will hit the halfway point in delivering our strategy, and the response from customers tells me we are absolutely on the right path. We have customer satisfaction at a record high, and our strongest reputation result as measured by RepTrak, in 15 years.

Australians are beginning to see a change in us, driven by improvements in customer experience, continued network leadership, and our strength in cybersecurity. We continue to focus on where we can make the biggest difference for customers, and as a result, we have made decisions to reprioritise and accelerate in some areas. For example, we will not scale our retail energy business in FY24. We will focus on accelerating digitisation, and finishing the job of migrating consumer and small business customers off legacy systems.

You can see on the slide the progress we've made against our customer experience pillar. We continue to see [the] positive impact of product simplification, digitisation, answering consumer and small business calls in Australia, and bringing our retail stores in house. Episode NPS improved six points over the last 12 months, and is at historic highs, with improvements across Consumer and Small Business and Enterprise.

We made great progress on digitisation. In Consumer and Small Business, 88% of sales and 43% of services are on the new digital stack, including all prepaid mobile services. Overall, we have digitised 68% of our key service transactions, like billing enquiries, and we are well on the way to digitising all key service transactions by FY25.

It's clear that customers are feeling the benefits of digitisation. Comparing the new digital stack to the old stack, Episode NPS has doubled, and the average time for fixed activations has halved.

Cybersecurity is extremely important to us and our customers. We continue to lead the industry in stopping scams, and our Cleaner Pipes Program is detecting and blocking more email, SMS and phone scams than ever before. We launched our scam indicator pilot with the Commonwealth Bank to help detect live phone scams before it's too late, and a national phone number for customers to report SMS scams to our cyber team.

We also took steps to improve the way we collect and retain customer ID data, to help reduce the risk of cybercrime for our customers. In Telstra Enterprise, Telstra Connect adoption continued to grow, with 51% of service interactions now flowing through the digital channel.

As a result of customer experience improvements, customer complaints reduced to a record low in the year. TIO complaints from Consumer and Small Business customers reduced by more than one third on the prior year, and 98% of Telstra Enterprise billing disputes are now resolved within one billing cycle.

I'm proud of this progress. But I also know we have more work to do, and we are accelerating to get there faster.

Against network leadership, we are on track to meet most of our commitments by FY25. We achieved our FY23 5G population [coverage] target of 85%, and 41% of our mobile traffic was on 5G. We have brought more capability into our 5G network, including 5G Standalone. This means we can carve up our network into separate secure slices, that can support lower latency, and be finely tuned to suit the needs of our customers.

We have the largest mobile network in Australia, with around one million square kilometres more coverage than any other mobile network. We are on track to deliver an additional 100,000 by the end of FY25, with 80,000 square kilometres already delivered.

The decision by the Australian Competition Tribunal and the ACCC not to grant authorisation for our Multi-Operator Core Network Agreement with TPG was a disappointing outcome, particularly for customers in regional Australia. Despite this, we remain committed to improving customer experience outside metro areas. And we continue to invest in new ways to keep people in regional and remote locations connected.

Our deal with Starlink will see us deliver new and improved services in regional and remote Australia, and our consumer customers will be the first in the world to be able to access broadband with a voice service over Starlink's low Earth orbit satellites.

We also announced a deal with OneWeb to shift [to] satellite-based backhaul for our remote mobile base stations, which will mean more reliable voice and data services in regional and remote Australia. And we are working with Viasat on their global Viasat 3 satellite constellation, that will help connect people in hard-to-reach places across the Asia Pacific region.

On our intercity fibre project, construction is well underway, and we are seeing strong interest from hyperscalers, other operators, satellite providers, and national enterprises. This project is a big step toward delivering Australia's next generation fibre network, that will enable ultra-fast connectivity between capital cities, as well as into regional and remote communities.

Against the growth and value pillar, we delivered growth in underlying EBITDA and EPS. In the year we continued to show discipline on costs and improved ROIC. We have grown underlying ROIC to 8.1%, and we are focused on further growth to FY25.

Michael talked you through the economic environment. However, I wanted to reinforce that while our cost-out ambition is being challenged by high inflation, we still expect to achieve the large majority of this by FY25. We remain absolutely committed to delivering our underlying EBITDA and EPS growth ambitions.

Against the place you want to work pillar, our employee engagement score was 80. This result ranks us near the top companies globally, however, below our 90th percentile target. We are focused on continuing to improve engagement with our people, and creating the right culture to help us achieve our goals.

On digital leadership, there are a number of highlights. We continue to partner with technology leaders to help unlock the benefits of a more digitised future for Australia. For example, our venture with Quantium to harness the power of data and AI is already enabling new services for our customers, including the scam indicator pilot I mentioned.

We're also working with a range of industry and technology leaders across our Enterprise business as we grow our digital capabilities, in sectors critical to Australia in the world, including agriculture, resources and financial services.

We're determined to be a leader in how we apply AI in our business, and how we will help our customers transform their business. Within Telstra, we're already using AI to improve a third of our key processes, including to reduce network energy consumption, and solve customer issues faster. Our goal is to improve all of our key processes with AI by FY25, while maintaining strict principles around how it is used.

We have also continued to invest in our API first architecture, [as] a big area of opportunity to improve offerings for customers, halve our time to market, and reduce costs.

On doing business responsibly, from an FY19 baseline, we reduced our absolute Scope 1 and 2 emissions by 30%, and we reduced our absolute Scope 3 emissions by 28%. This is great progress towards our ambition to reduce absolute emissions by at least 50% by 2030.

We helped more than one million customers in vulnerable circumstances stay connected in FY23. We also expanded our prepaid top up program with Infoxchange, to reach more customers in need of financial assistance, who may be experiencing mental health challenges, disability, homelessness, family or domestic violence, or who need emergency relief due to natural disaster.

Over the last two years, we've also supported more than 250,000 Australians to grow their digital skills through a range of customer and community programs, including for seniors and First Nation Australians.

Our positive progress in the year is reflected in our T25 scorecard, which demonstrates we are on track to deliver the majority of our T25 metrics. We completed two metrics in the year, achieving $8 billion in underlying EBITDA, and around 8% in underlying ROIC. We missed on Telstra Plus, but grew members to 5.1 million, and we will deliver more engagement through personalised offers.

There are a number of metrics we have rated as amber, where work has commenced, but early progress is below where we want it to be. For example, in strategic NPS, 'Once and Done' for Consumer and Small Business customers, and time to market for products.

Renewable energy generation shifted to amber due to the risk to timing of projects coming online. We have supported investment of more than $1 billion in renewable energy projects to date, and we will support more to contribute towards our target of enabling renewable energy generation equivalent to 100% of our consumption by 2025.

Reaching the top 20% in the Digital Capability Index is rated as red. We are behind where we would like to be on this, and we are focused on how to best close the gap. There are two metrics where our targets have been removed since the T25 scorecard was first published. These metrics are marked as grey.

I'll now providing an update on InfraCo. When we established InfraCo and embarked on our Group restructure, our aim was to: create transparency of our Infrastructure business; to run it as a standalone business; and to provide optionality. We have achieved these three goals, and created a strong digital Infrastructure operator. Overall, there is now a clearer understanding of the value of InfraCo within the Telstra Group.

As we have demonstrated before, where we see the opportunity to realise value through monetisation, we will. For example, through the 49% sale of Amplitel. After thoroughly examining alternatives, we've concluded that the greatest value to be created for shareholders is by maintaining the current ownership structure of InfraCo Fixed for at least the medium term.

We are seeing strong customer demand for our infrastructure, while customer needs and long term demand continue to evolve. This has been shaped by the shift to the cloud, and rapid AI adoption, driving data centre and edge requirements, along with needs for domestic fibre and undersea cable.

Maintaining the current ownership structure provides alignment across the whole of Telstra, to best capture and maximise long term value. First, by providing the flexibility to meet evolving customer needs, through how we go to market and deliver products and solutions.

Second, by continuing our work on improving the efficiency of InfraCo Fixed, including across our portfolio of fixed network sites. Third, by delivering growth projects, including our intercity fibre, and exploring further growth opportunities. And finally, because we are best able to explore other operating and financial infrastructure partnerships.

Our focus remains on delivering long term sustainable growth, and the objectives and principles of our Capital Management Framework, including seeking to grow our dividend. InfraCo Fixed plays an important role in enabling this, particularly in an inflationary environment.

FY24 will be a critical year for us, with a lot to deliver. We will continue to prioritise activities with the greatest impact on customer experience, and invest in the capabilities and assets we need to deliver sustainable growth.

There are four areas we see as key to maintaining our financial momentum, and delivering sustainable growth for shareholders. The first is mobile, underpinned by network leadership, and delivering new network experiences for our customers.

The second is growth from infrastructure and maximising InfraCo Fixed value. The third is continuing overall Consumer and Small Business fixed growth. We are focused on evolving our customer propositions, as well as ongoing cost efficiency. The largest contributor [to] cost in Consumer and Small Business Fixed is the nbn wholesale charges. We have been advocating for a reduction in these charges, as well as for service standard improvements, as part of the nbn Special Access Undertaking. This has been an extensive process, and although we would have liked to have seen more done, now is the time to move forward.

The fourth area, as I spoke to earlier, is improving Enterprise Fixed performance. This includes driving growth in NAS.

With that, let me close out my first full year results presentation as the CEO of Telstra. I am proud to lead this highly capable team, and proud of everything we have achieved in the year, including continued growth, progress on our T25 strategy, and a solid foundation for growth beyond T25. Thank you to the Telstra team for all that you have done this year to serve our customers and each other.

I will now hand over to Nathan Burley, Head of Investor Relations, to take us through Q&A.

Analyst and Investor Q&A

Nathan Burley: Thanks, Vicki, and good morning, everyone. We will now start a time of analyst and investor Q&A. If you are on the call to register a question, it's star one, and to cancel it is star two. After investor and analyst Q&A, there will be a time for media to ask questions.

The first question today is from Eric Choi from Barrenjoey. Go ahead, Eric.

Eric Choi: Thanks, Nathan, and congrats on the first result, Vicki. All of the short-term stuff looks pretty in line. So my three questions are more longer term.

On the first one, just on mobile, the FY24 mobile ARPU outlook is pretty clear. But just wondering if you can talk to your confidence in growing yield in FY25 and beyond? I'm just trying to balance positives, such as the industry collectively having ROIC targets for the first time, and MVNO pricing is finally starting to step up, against some negatives, such as your postpaid churn is starting to tick up as well, and inflation might slow.

Then just a second question on InfraCo. You've talked to creating value by holding it to the medium term. I'm just wondering if you can talk to the operational and financial initiatives that you might employ? For example, how you might leverage higher inflation, what efficiencies you might drive, and whether you could even gear up InfraCo? And then, is this enough to offset a valuation multiple contraction, if rates also lift into the medium term?

And then just the last question on free cash flow. I think there's still some investor confusion around free cash flow versus accounting EPS. So can I just confirm that gap is essentially closed now? And then I notice there's some short-term capital calls such as nbn true-ups and spectrum that might drive reported free cash flow below EPS. So my question is, are you happy to look through these short term reported free cash flow fluctuations for the purposes of your dividend?

And sorry for the mouthful, but thanks in advance.

Vicki Brady: No, thanks, Eric. And thank you for your best wishes. It's nice to have my first results presentation complete. So let's go to your three questions, which have a number of parts to them as well. So I'll make some comments. But I will get Michael, and also Brendon, to jump in on a couple of them as well.

So firstly, on mobile, as I just spoke to, and Michael spoke to as well, yes, we are really pleased with the performance of the mobile business. And we are also confident around the outlook for that business. I think the thing that I step back and look at with mobile is, it just continues to be incredibly important to our customers, whether it's in their daily lives, in business. We have seen data growth on our mobile network over the last year at around 35%. And we're expecting that to continue.

So that importance of mobile, and how much value customers place on it, I think puts us in a good position. And obviously continuing in our leadership position from a network point of view, is absolutely core to our strategy.

We have, as you know, changed our terms and conditions last year, where we put in an annual pricing review into our mobile postpaid and our mobile broadband plans. We think that's important to give customers that certainty of when we will do those reviews.

And so I remain optimistic. While mobile – and I see it continuing to be very, very important to our customers, and they really do expect a high level of performance and our leading network, we do invest a lot of money in to make sure we deliver that for our customers. So I'm optimistic on mobile. And there's no change in terms of our ambitions in terms of that mid-single digit CAGR on mobile service revenue.

I'll talk a little bit to InfraCo, and then I'll pass across to Michael and Brendon. So look, on InfraCo, we're really excited by InfraCo. The last few years has been a big change, and Brendon and the team have done a really great job running InfraCo as that standalone business, thinking about it as a standalone business, as opposed to just thinking about it as the infrastructure that supports our overall network.

And so we absolutely see opportunities for further growth. Obviously, the first five routes of the intercity fibre rollout, they're underway. And we are seeing strong interest and demand from customers. That's infrastructure that hasn't been invested in for a couple of decades in the country. And it is absolutely foundational infrastructure and investment to support the digital future of the country. And so we're expecting long term demand there.

We will also be focusing, as I mentioned on efficiencies, and particularly, if you think about InfraCo Fixed, it's got a number of asset classes in there. Those fixed network sites and driving further efficiency there is definitely a priority for Brendon and the team. And as I mentioned, by keeping the current ownership structure as it is, we do still have the ability, as we look at growth opportunities and projects, we can look at different operating and financial partnerships. And so we would expect to explore a full range of those, as we look at opportunity and the best way to be able to invest and access capital to grow that business, and deliver those long term returns.

I'm going to leave free cash flow for Michael, but why don't I hand to Michael first to make any comments he wants, and then pass across to Brendon.

Michael Ackland: Yes, thanks, Vicki. And Thanks, Eric. Great questions. I think Vicki has covered mobile and InfraCo. And I think that point around the opportunity to explore a broad range of financial and operational partnerships for growth, I think, is incredibly important.

On free cash flow, yes, that gap that we had based on release of working capital for a number of years that created a difference between earnings and free cash flow, we think has largely closed, both with the working capital position stabilising, but also the increase in capex, as you've seen around the strategic investments. We do expect net debt to go up next year with the spectrum spend that is noted around that mid $600 million mark. There is also another auction later this year in midband. So there are calls on capital.

But our focus is on continuing to drive earnings growth, that allows us to drive, to maximise the payment of fully franked dividends as we go forward. So as a business we will look through that, and we're focused on driving medium term earnings growth to support our ambition around maximising fully franked dividends and seeking to grow them.

Brendon, over to you.

Brendon Riley: Yes, thanks very much, and appreciate the question, Eric. Look, like the rest of the company, I think we've got some good momentum in the infrastructure space. So if I look at Amplitel, you can see some strong results for the year, an increase in the growth outlook, which Michael made comment on. And that's really underpinned by the $2 billion in contract signings that we've just recently completed in the Amplitel business. So that really underpins what we want to do in terms of tower growth, tenancies. It also drives more into the services area, where we look to provide a lot more of the augmented services beyond the construction of physical facilities.

From an operating efficiency perspective, there's a couple of areas that we are focused on. One is obviously managing the property side of things. That's where most of the cost base is. We've invested in that over the last year, and we're making really, really good progress on the operating efficiency of the land base.

And then the other is tech itself and AI. And we've now got 3,500 digital twins. We're right on track in terms of building out what we think will be one of the world's most advanced digital twin networks. And that creates a whole range of different possibilities, from ordering, right through to how we maintain all of those sites.

On the fixed side, Vicki's already spoken about intercity fibre. Super excited about that. I was in the US last week meeting with a number of hyperscalers, partners. And the demand is there. There's just no question about that. I think they're very, very pleased with the specifications of what we're rolling out.

And I think more broadly, we see very good opportunities in backhaul fibre. We've rolled out in the last financial year about another 3,000 kilometres of backhaul fibre. That's all related to customer demand.

In data centre and edge, we've got one of the best topologies of facilities in the country that are fibred, that have power resiliency, they're very secure. And again, we've seen a lot of interest in those, with some exciting new deals that we've signed in that space.

Obviously, satellite, we're working with all of the major satellite providers, obviously a major partnership with Viasat. And then on the operating efficiency side, we've continued with our copper recovery and recycling program, which is contributed over $50 million in EBITDA in the year. We did 17,000 tons of copper recovery.

And then as Vicki mentioned, on the fixed network sites, that's an area that we will be heavily focused on from an operating efficiency perspective. And as we look to retire the copper services, then that gives us an opportunity to drive more divestments. We did 25 divestments last year, we've got more planned for this year. And importantly, as we retire those sites, we can reduce energy consumption, as well as benefit from the proceeds.

So I'm super excited about the infrastructure opportunity. The trip last week to the US just reinforced really what's coming at us in terms of demand for digital infrastructure in the next five to 10 years. It's going to be a very, very exciting space.

Nathan Burley: Thank you, Brendon. That was Brendon Riley, our CEO of Telstra InfraCo. I should have mentioned on the call today as well, is Brad Whitcomb, Group Executive, Consumer Small Business, and David Burns, Group Executive of Telstra Enterprise. Our next question is from Entcho Raykovski from Evans & Partners. Go ahead Entcho.

Entcho Raykovski: Thanks, Nathan. Morning, everyone. I've got three questions as well, I'll ask them all together. And the first one is on mobile. I'm conscious that your mobile margins were particularly strong in FY23. They were close to 45%. And I appreciate that hardware plays into this. But do you expect to be able to continue to expand out to FY25? And just curious if you can comment whether that can offset some of the other margin targets you're walking away from today, particularly around Fixed C&SB and NAS. So whether that can ultimately provide an offset at a Group level?

My second question was also on mobile, where, again, wholesale revenue growth was quite strong at 14.6% for the year. Are you able to comment on whether that's a result of repricing your wholesale agreements with MVNOs? Obviously, SIO growth was good. But is there a repricing element in there as well, which is driving ARPU higher? And if so, how far through that process are you so far, and do you think this will also lift the MVNO market longer term?

And then my final question was on DAC. At the last set of results at the half year, I think you spoke about three more halves of ARPU compression. And Michael, today you've mentioned ARPU declines to FY25. Just interested on whether you think the market has gotten more competitive, or whether you just view that essentially as consistent with what you said six months ago? And as part of that answer, if you can comment on how you see the impact of a potential Vocus/TPG merger on Enterprise competition, I think that would be useful, given that you could well be facing a stronger competitor in that space. Thank you.

Vicki Brady: Thanks, Entcho. Quite a few questions to cover off. So let me start off, and then I think for this one again, I'm sure Michael will want to comment on a couple of those. And then Brendon and David.

So firstly, on mobile, yes, I mean, it's not that long ago when we were talking about mobile EBITDA margins, and getting them back into the 40s. And so to be at almost 45% for FY23 is a pleasing outcome. Particularly in a period where we're investing, obviously, in the rollout of 5G.

So look, in terms of how we see mobile, as I talked to a little earlier, we've got very clear terms and conditions inside our mobile postpaid and mobile broadband contracts. We will continue to follow that very clear process around reviewing prices each year. And, look, we're still managing costs tightly. So in terms of margin, I am optimistic about our mobile margins continuing strong.

In terms of our wholesale business, our multi-brand strategy has been really critical over the last few years, as we've been very disciplined in how we have managed our overall portfolio of brands. And so yes, I mean, it's very pleasing to see the growth in our mobile wholesale business. And we obviously price on the wholesale side, and our wholesale customers make choices and decisions around their retail offerings. But we've seen growth in ARPUs across both our postpaid and our prepaid wholesale customers. And Brendon might want to jump in, in a minute, just to talk a little bit more, to give a little bit more colour.

But I think one of the things that I reflect on with our MVNO business is just the strength of the partners we have in those businesses, and what they bring to market with their brands and their channels to market. And as I said, that multi-brand strategy has been really key to underpinning the real performance overall of our mobile business. And we continue to be very disciplined in how we approach that, with clear guardrails around how we manage those multiple brands across the business.

In terms of data and connectivity, yes, you rightly picked up on the comments that Michael made. We do now see that data and connectivity ARPUs will continue to decline out into FY25. I think it's fair to say we were a little bit more optimistic in being able to stem those declines. But they have continued, and rightly so, we are absolutely focused on making sure we retain customers, particularly retaining customers in fibre. And that can be on our own fibre or on nbn EE. So we're absolutely focused on that. That has meant going in and re-contracting customers. And that has had a bigger impact on our ARPU than we were expecting during the half.

Now, as you point out, Entcho, in a business like ours, we have many big parts of the business, and some are performing more strongly, and there are some facing challenges. So when I look at it and step back from it, yes, absolutely, our mobile business is performing strongly. And that's why we remain absolutely committed to the underlying EBITDA and EPS ambitions, even though there are some ups and downs within the overall portfolio.

The final comment I'll make before I pass across to Michael, first is, yes, we've read the media around the potential Vocus/TPG deal that's been speculated on. Obviously, we don't know any details more than has been reported in through the media at the moment. The thing I would say is both Vocus and TPG are very strong competitors in the market today. So that's certainly something we're very used to dealing with. And so look, we'll wait and see what happens, whether there does end up being a deal. But as I said, very strong competitors today in the Enterprise market.

So why don't I, Michael, hand across to you to see if you want to add some comments?

Michael Ackland: Yes, I'll make some very, very quick comments. So yes, Entcho, we would expect some ongoing expansion of that mobile margin as we execute our strategy, based on the customer demand that we're seeing.

Yes, we have come off our commitment around mid-teens margin on nbn off net as well as on NAS, and mobile will be one of the pluses against those minuses, as will the upgrade in our Amplitel commitment to mid to high single digit growth.

On wholesale, we have – and Brendon will talk to this – we have fantastic channel partners in our MVNOs who have great brands, who have great customer access, and who are interested in delivering real value. And I think that ARPU growth that we've seen both in postpaid and prepaid, now, when you look at the overall numbers, there's been a little bit of a shift to prepaid. But we are seeing underlying ARPU growth from those customers. And it's really pleasing.

On DAC, we did say, at least three halves. We do expect that to go a little bit further out. But I think the work David and his team have done, and our ultimate objective was to stop the decline in SIOs. And one of the things that we're very, very pleased in is, is the retention of those T-fibre and nbn EE SIOs, and after a number of yearsof decline.

So we're on track. It was a little bit sharper, particularly on DAC and calling apps than we had expected in Enterprise, but the strategy is sound.

So maybe, Brendon, first, and then David could add some colour.

Brendon Riley: Yes, thanks Entcho. Yes, just a couple more comments on MVNO. You mentioned the income growth was just under 15%. EBITDA growth was over 20%. So I think that suggests we've got a pretty good model that works for us, and works for our fantastic partners.

We are through the process of re-contracting; more to go. We had ARPU growth in postpaid and prepaid in FY23, and you can expect ARPU growth in FY24 in both those categories. Thanks.

David Burns: And if I can, let me add a little colour. Forgive a little bit of the Matildas voice after effect. But I think Vicki and Michael have nailed most of the points.

Vicki mentioned, it is a very, very competitive market today. So we are responding to that. As Michael also highlighted, if you remember, in the first half of this year – of FY23, we had a little, around 600 SIOs of loss in our T-fibre area. We've reversed that into growth into the second half. And I think that gives us great momentum as we look forward into 2023. And our continuing growth in the nbn Ethernet space has also been extremely strong. And we're getting great traction in the market against the competitors that exist today, let alone tomorrow.

Our focus is around retaining the customer. Our focus is around improving that experience of receiving proposals from us through to the activation of that service, where we know we've got some improvements to make. But we also know that when the customer is on a Telstra fibre service or a Telstra provided fibre service, they're extremely satisfied and [have] strong customer experiences.

So we'll continue to accelerate our focus on retention and satisfying the customer. And that's an incredibly important foundation for our NAS business, is our DAC business. And so those two businesses are very linked to each other. And so that retention is core and critical to us. Let me leave it there.

Nathan Burley: Thank you, Entcho. Our next question is from Darren Leung from Macquarie. Go ahead, Darren.

Darren Leung: Morning guys, thanks for the opportunity. I just have three as well, please. And I might ask them all at the start. First one was just on InfraCo, please. First, that decision to retain it, can we get a little bit more colour on whether it was due to pricing, lack of alternatives for capital, albeit it sounds like there's sufficient capital opportunities at the moment? Or was there another strategic rationale as to why we thought about retaining it, please?

The second one was just in relation to mobile subscriber declines in the second half. Do you think this is purely due to the price increases? Or is there another or multiple other external factors that we should be thinking about?

And then the third one was on the capex guidance and the capex profile to a longer term. Given all the comments around Enterprise competition increasing, and obviously, you flagged the relationship with Starlink previously, do you still think it makes sense to pursue the regional network, particularly in light of what's happened with the MOCN agreement, please?

Vicki Brady: Thanks, Darren, for those questions. Let me make some comments, and then I suspect Brad will want to jump in, he can provide a bit more colour on mobile subscribers, and I'm sure Michael will want to talk more about the capex related questions.

So just on the InfraCo decision, as I mentioned when I spoke, we absolutely thoroughly looked at all options. And it was something we worked through very methodically as a management team and with the Board. And what was very clear as we worked through that is, we absolutely see opportunity in InfraCo Fixed, both in terms of that to evolving long term demand, so already very strong demand there today. But as we look at how those customer needs are going to shift and change, we really do see long term demand growth here in the InfraCo Fixed business.

So as we stepped back and looked at that, and we thought about as a digital infrastructure operator, what's going to be the best way to be able to firstly meet those needs, grow the business, and deliver and maximise the best shareholder long term value, it became clear that actually keeping the current ownership structure and that flexibility to work across the Group and evolve our products and solutions to meet those needs, was going to be important.

It's also evident to us that, as both Brendon and I have already mentioned, we've got the first five routes of our intercity fibre project well underway now. We think there are further growth opportunities out there which we are exploring. And by keeping the current structure as is, as I said, it also gives us the ability to explore other operating and financial infrastructure partnerships, which will be some of the work we continue to do as we build out those growth options.

So really, it came down to what was going to be the best way to maximise the long term value for Telstra shareholders. And it was a very clear decision that actually holding the current structure was the best way to do that.

I won't comment on mobile subscribers. I'll cut across to Brad in just a minute to talk to that. And just the final comment I wanted to make, I'll just touch on the Starlink comment. And, look, we're really excited. As I mentioned, we've got deals in place with three satellite operators. And what excites me is, I think the innovation happening in the satellite space is such a great complement to the mobile services we provide today.

We know what Australia is like, it's a big geography with a small population relative to that. And so that ability to complement mobile coverage with something like some of the developments happening in the LEO space today, we're excited by.

I don't think it changes the view of our investment in regional Australia from a mobile point of view. And when you look at where some of those capabilities are at, mobile is able to deliver far superior capabilities in terms of bandwidth speed, experience for customers. So I see it as very complimentary. It's why we're very much at the forefront of making sure we're in the thick of those innovations, and bringing to our customers those innovations as fast as we can. So it doesn't change my view in terms of investing in regional Australia in our mobile network.

So why don't I go to Brad first, and then to Michael.

Brad Whitcomb: Thanks, Vicki. And thanks, Darren. Yes, this is the second year through now with executing on our commitment to review pricing on an annual basis. And so we had an opportunity to learn from last year. While the pricing didn't go into effect on postpaid until July, we did announce the price changes in May. And as expected, that's when customers would get that notification, and they might consider whether they're on the right plan, whether they're on the right operator. And we did anticipate some churn stemming from that. And we did see that toward the back half of the fiscal year. But that churn was consistent with our plans.

We've also factored in a bit of down planning, where customers are looking for other plans within the Telstra family. Again, we've seen a little bit of that, but that's been quite modest, actually, a bit less than we'd anticipated.

If I think a bit more broadly around trends that we're seeing. we do keep a sharp eye on consumer sentiment. and of course, the economy's top of mind for most of us. We have not seen that translate though into reduced footfall. So we're still seeing customers come into our retail channels, which is fantastic.

We also do keep an eye on what's going on with other parts of the telecommunications spend, and in particular hardware and handsets. We did see that actually grow this last fiscal year, both in terms of the volume of handsets, and also the average selling price. But we are seeing a bit of a split, where customers on the higher end plans are tending to upgrade at a high rate, and tending to take the very high value handsets in the market. And we're seeing customers, some customers that are on the lower tier plans are tending to hold on to those handsets a bit longer, to balance out their overall telecommunications spend.

So we're confident at this point we're not seeing anything that's inconsistent with what we had planned for.

Nathan Burley: Michael, did you want to comment further?

Michael Ackland: Yes, I mean, I can comment a little bit on capex. I mean, I totally agree with Vicki's comments around the role that satellite will play over the medium term, in terms of adding additional capability but the investment in regional, in terms of terrestrial networks, remains critical.

Just in terms of capex, a couple of comments; one is, our capex has crept up. And if you look at our guidance, the midpoint of guidance is a little bit higher this year again. And I think I would cover two things. One is we continue to invest in the strategic infrastructure projects that we talked about, as well as an increase in the spend in Digicel [Pacific] this year as well.

In our BAU capex, as we said last year, we said around $3 billion; we ended up being $3.2 [billion]. And as we had signalled, that was an increased investment in RAN. RAN investment remains important. And we're also, in our BAU, have some increase in our international subsea cable, going into FY24.

The other point I would make on capex; it is one of the areas where we are seeing that inflation impact come through. If you think about the kinds of things that we do in capex, such as buying technology and big construction work, as well as software and software engineering, data engineering, and so forth, we're well positioned. But it is an area where we are seeing some of that inflation pressure come through.

Nathan Burley: Thank you. Our next question is from Lucy Huang from UBS. Go ahead, Lucy.

Lucy Huang: Thanks, Nathan. And thanks Vicki and team. I've got three questions as well. Just in terms of you mentioned postpaid subs had slowed a little bit, there was a bit more churn, but within expectations; to what extent did that churn get captured across your prepaid base? So just wondering whether the subs were captured within the Telstra ecosystem, or whether the prepaid growth came from outside of Telstra subs?

My second question is around Fixed Enterprise. So you talked about gaining more subscribers now on nbn Ethernet. Just wondering if you can give us some colour into the customer migration progress onto nbn Ethernet? Is it ticking up, or expected to tick up quite quickly over the next couple of years, and what's the margin impact as well, when a customer moves onto nbn Ethernet?

And then just thirdly, with prepaid ARPUs, just noticed it reduced slightly half on half. So just wondering if you guys can give us a bit of colour as to what drove that? And I guess starting into first quarter of this year with the price increases, are ARPUs in prepaid starting to grow? Thanks.

Vicki Brady: Thanks, Lucy, for that. Let me make some comments, and then David and Brad will probably want to jump in as well.

So firstly, on postpaid subs, just in terms of that churn that we saw, particularly in that half, it was absolutely in line with our expectation. And it's an interesting time at the moment. I think we're seeing in FY23 a year that has normalised back post-COVID. So as we look back, if you go back to say FY19, the sort of churn we're seeing in postpaid is in line with that. So postpaid churn not causing us a concern at the moment; in line with expectation.

In terms of how we capture churn off the branded business, of course, we do have our multi-brand strategy. That includes options like moving to prepaid, it does include Belong, it includes our MVNO portfolio. So look, Brad and Michael might want to comment more on that. But I think those trends continue to track as we anticipated, and as I said, that multi-brand strategy remains really key to how we execute and deliver to meet varying customer needs. And it's something we remain absolutely committed to.

Just in the Fixed Enterprise space, David will want to jump in, and he can give a lot more colour. But I think the important thing here is when we talk about retaining fibre, we're absolutely, many customers are staying on Telstra fibre, and we also obviously have nbn Ethernet available. So both are available, our sales teams, and we're very happy to provide either to our customers. But we do still have a lot of customers staying on Telstra fibre as well. And I'll get David to provide a bit more colour on that.

And then on prepaid ARPU, I think that might be, Michael, a good one for you to pick up. So why don't we go to Michael first, and then come back to David?

Michael Ackland: Yes, why don't I cover off the prepaid ARPU. It was down slightly. A big chunk of that was driven by the release, the prepaid revenue release in the first half, inflating that first half. Underlying ARPU, we've seen really strong prepaid data growth driving ARPU in prepaid. And we expect that to continue. And we've also had some price changes in our prepaid base in the second half of FY23 that will flow through into 2024. So maybe I'll hand to Brad, just on mobile more generally, to your question, Lucy.

Brad Whitcomb: Yes, just to build on what Vicki said, we've got a very strong portfolio of brands. So as we've come in, and again, this is a brief period of churn as a result of the price rise, we do see some customers leaving Telstra full stop. But we are capturing the number of those customers either in Belong, or into our MVNO base.

In terms of the growth and the prepaid, that's really a combination of additional customers coming on. As Michael talked about, we see more immigration opening back up, and a number of customers coming in for the first time on to the prepaid. We've also had a significant increase in data consumption on prepaid, which has helped boost that up as well.

Nathan Burley: Great, thank you. We'll go to our next question, which is from Kane Hannan, from Goldman Sachs.

Kane Hannan: Morning, guys. Three quick ones from me as well. Firstly, just costs, given those wage negotiations that come through in FY25, can you talk about how you see the phasing of the remaining savings across 24/25, what you've assumed in your guidance next year?

Secondly, International segment, and that step down in the EBITDA margin. Just talk me through what's happened here, whether there has been a positive offset elsewhere in the Group?

And thirdly, just underlying ROIC into 2024. So you've called out the higher invested capital, higher D&A, and obviously the EBITDA guidance. If I put that all together, do you think your underlying ROIC will be growing into next year, or is that a 2025 target? Cheers.

Vicki Brady: Thanks, Kane, for that. Let me take a couple of those, and then get Michael to comment as well. So firstly, on cost, in terms of how we're thinking about that ambition, on cost; absolutely, it is more loaded to FY25 than FY24. And as Michael talked to some of those areas, where we're really focused on driving further efficiency, things like the benefits of digitisation, and retiring legacy IT systems, retiring legacy network infrastructure, that takes a little bit of time. Hence why we see it a little bit more back ended.

In terms of, yes, we've got our EAs in place through to 1 October next year. And so look, that will be something early next calendar year that we'll look to engage with our people and with our unions. We have a very constructive relationship. But that's going to be something we work through, through the course of next year.

And one of the things that I highlighted, it's exciting to be leading such a capable team, with engagement sitting at 80 across the organisation, which is fantastic. But just on the cost side, yes, we would expect it to be more weighted towards FY25.

In terms of underlying ROIC, yes, as you picked up, obviously Digicel [Pacific] came into the Group in FY23. It was in our closing invested capital, but not in the opening. And so that will create an increase in our average invested capital in FY24. As Michael and I spoke to, we're looking to grow ROIC to [FY]25. I think some of those impacts in FY24 probably means it's more likely stable, but growing out into FY25 is how I'm thinking about it, Kane.

And then I might get Michael to explain the International segment, because I know there's a few changes and moves in that in the second half. So Michael?

Michael Ackland: Yes, so on International, if I exclude Digicel Pacific, which I think it's clear, we've got Digicel Pacific, it came in. For the rest of International, we, in the second half, had some additional, from the restructure, some additional internal revenue, and some additional internal costs that played into the way that we're reporting profit there. That was a net detriment to EBITDA.

If I exclude that, and look at the underlying, on a constant currency basis, exclude the impact of that restructure in the second half, we grew, as I explained it, at around 5.7%. So it is simply the impact of the internal changes. And there is both revenue and costs, but clearly there is more internal costs going into the International business.

Nathan Burley: Thank you. I might throw back to David Burns to address Lucy's question, which I think we may have missed, on Enterprise.

David Burns: Thanks, Lucy. And thanks, Nathan. So Lucy, just to expand on where Vicki went to, we have put out a whole new product range in the DAC space. We call it adaptive networks. That is getting great traction in the market. And we do very tightly manage what is on Telstra fibre, or using nbn fibre. We're looking to grow both. Our results in the second half, as Vicki mentioned, were that we grew Telstra fibre SIOs, and we grew nbn Ethernet SIOs. So we grew in both spaces. And that is the momentum we're bringing forward into 2024, and we look to continue with.

You did ask a question, I think, about the balance between what would be on Telstra fibre and nbn. And we are well within the parameters of what we've designed that business to go forward with. We get a good solid return from the nbn business. Not the same as our Telstra fibre as you would expect. But it still is a very healthy return to our business. And so that balance of continuing to use nbn as a part of our product portfolio is something we will continue to drive going forward. Thank you.

Nathan Burley: Excellent. Our next question is from Tom Beadle from Jarden. Welcome back, Tom. And go ahead.

Tom Beadle: Thanks, Nathan, and thanks for the opportunity. I'll just ask two, as some of mine have been asked. First one is just a follow up to Eric's question on ROIC. It's obviously a good outcome getting to that 8.1% in FY23, and that you're looking to grow that under T25. So my question is, just with the players across the industry targeting ROIC, what do you think is a sustainable mid cycle ROIC? Do you have any sort of range in mind? I guess I'm just cognisant, like Eric said, if it does get too high, you might open yourself up to competition.

Just the second question on network sharing. Obviously, you're not going to appeal the Competition Tribunal's decision. But could you still explore an infrastructure sharing arrangement with TPG, just in a different structure; for example, one that might not involve spectrum? And also does the fact that TPG is possibly looking to sell a significant amount of its own infrastructure at the same time, you could potentially do a deal with some influence you're thinking about any possible future arrangement with them? Thanks.

Vicki Brady: OK. Thanks, Tom for that. So firstly, on ROIC. Look, we've obviously got the ambition out there. It's pleasing to see ROIC, our underlying ROIC, get to the 8.1% in FY23, and we're seeking to grow it out to FY25. We haven't put any ambition out there beyond that. The thing I would say, as we all know, watching the industry closely, the industry overall has been sitting with ROICs below cost of capital. So there has obviously been a need across industry to make sure we're delivering returns that allow us to sustain the sort of investment and deliver the high quality networks and experiences for our customers. So we haven't put an ambition out beyond FY25, but seeking to grow to FY25 on our underlying ROIC.

In terms of network sharing, yes, we announced this week, we would not be appealing the decision on the TPG MOCN deal. As we demonstrated through that deal, we think there are innovative ways to share infrastructure in the country that can get better outcomes for regional Australia, and also deliver the right commercial outcomes for the industry players.

Now, look, we're always looking at those opportunities. We will continue to do that. And obviously, anytime we look at that, we will take into account the moving parts that are happening in the competitive and industry dynamic. But yes, I think we demonstrated with our proposed deal, that we were absolutely open to innovative infrastructure sharing. And it's something we'll continue to look at, if it makes sense to deliver for customers, and it makes sense in terms of overall returns for our business.

Nathan Burley: Great. Our next question is from Roger Samuel from Jefferies. Go ahead, Roger.

Roger Samuel: Oh, hi. Good morning all. I'll be quick, with just two questions. The first one in Fixed Enterprise. I think you mentioned some target to grow the potential sales going through your channel partners. Can you tell us your progress in leveraging your channel partners; any success stories you can share?

And second question is on InfraCo Fixed. Is there any commentary you can provide on the inquiry into domestic transmission capacity service? Do you think there is a potential relaxation of regulation for backhaul? Thanks.

Vicki Brady: OK, so Roger, just on your first one, it might be – David, best to go to you, just to give your perspective on channel partners. I know they're incredibly important in our Enterprise business. Why don't we go to you, first, and then I'll come back on the second question?

David Burns: Yes, happy to. Thank you, Vicki, and thank you, Roger. So we have traditionally long term been a more direct organisation. We've used channel partners in a mobility space. But over the last 12 to 18 months, we've done a number of things with the channel partners, but also expanding into a digital. So we're looking for three routes to market: a Telstra direct, a channel partner to market, and also using our digital engagement. And Vicki highlighted some of that success earlier in her presentation.

The channel partners are an incredibly important component of that. They cover us in regions and parts of Australia where we don't have as many Telstra personnel, and they also specialise around some of our customer sets, our industries, and complement the way we go to market. And so, they are a very strategic component of our coverage model.

I believe we enjoy a superior go to market with our channel partners than any of our competition in the Australian marketplace, and we intend to continue to develop and provide tools to that component. It grew. We don't publish the numbers, but it was a growing channel for us in FY23. And we'll continue to use those partners in a strong way through 2024 and beyond.

As I said, it's an important part of our coverage model. They more than double our coverage capabilities to our customers, and as I said, particularly in some of the areas where we don't have Telstra personnel. So it is a very important part of our model, and it will continue to be so. Back to you, Vicki.

Vicki Brady: Yes, thanks David, for that. And Roger, just to come back on your second question. I mean, my expectation is the regulation that you referenced is likely to continue in the same form for the next three years. And I imagine it'll be looked at more substantively over that period. So we would expect more of the same.

Roger Samuels: OK, thank you.

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

Brian Han: Good morning. I have two questions. In mobile, I appreciate all the numbers are not out yet. But in the current environment, can you please talk about how you think Belong and your MVNO base are performing in terms of subscribers and pricing, relative to the budget brands of the other two networks?

And my second question is on Network Applications and Services. Can you talk a bit more about why you're more cautious about that mid-teens margin goal by 2025? And is margin improvement simply not possible until those calling applications revenue stabilise? Thanks.

Vicki Brady: Thanks, Brian, for that. Why don't I make a couple of comments, and then I'll hand across to Michael on mobile, and David may want to add some comments on NAS as well.

So look, as I've referenced a few times, we have a very thoughtful multi-brand strategy. And so we've definitely seen over the last 12 months, as the market has returned much more to normal, with inbound immigration and also inbound travellers, we've definitely seen, as you can see in the results, the growth in the prepaid and the MVNO side of the market. Look, we're pleased with the performance.

We've made some choices and decisions. For example, you can see some changes in Belong pricing. They've been very deliberate decisions, ensuring it's in a sustainable place to deliver on the needs of those customers in that segment that it addresses. So I'll get Michael to jump in in just a second, and Brad may want to add a little bit as well. But pleased with the performance. As you said, the broader numbers aren't out yet, but we're – as we look at it – pleased with the performance in both Belong and our MVNO business.

Overall on NAS, yes, we're a little bit more cautious. As we said, we still believe that mid-teens margin in NAS over the longer term is the right ambition. And you're spot on, Brian, when you look at it. That decline from a calling point of view is a little bit more than we had hoped for in this period. And so that does put pressure on the overall margin.

When we take calling out of the picture, we are actually – we've got some good growth in our NAS business, excluding calling and excluding some acquisitions we've made. Actually, our NAS revenue is growing at about 7.1%. And we are very focused on NAS margins. It's just that calling mix, because it is relatively high margin, and as it comes off, yes, that is impacting the overall ability to get to the mid-teens. But outside of calling, the rest of the NAS portfolio; some very strong growth, particularly in those areas of cloud and security. But it is the calling impact that has the impact through to 2025.

So Michael, why don't I hand to you to add some additional comments?

Michael Ackland: Yeah, thanks Vicki. On mobiles, and Brad probably would have some good colour on this –

we're really happy with the performance of Belong, and of the MVNOs and of our prepaid business. We think we've – as you said, all the numbers aren't out yet. We would expect that we've done reasonably well on at least holding share, and the underlying ARPU performances in those businesses we think are really strong, with more to come, as we said, next year. So Brad, did you want to add anything?

Brad Whitcomb: Yes, just briefly. Just on Belong, I'd say very pleased. We've seen both SIO growth and we've seen ARPU growth. In fact, we've seen ARPU growth across all of our sub-brands. So we're well positioned and pleased with the result for the year.

Nathan Burley: Thank you. Our next question is from Scott Ryan from Rimor. Go ahead, Scott.

Scott Ryan: Yes, hi, thank you. I only have one question actually, and it's just to do with slide 25 and 26 please, and the outlook. So now that you've made the decision on InfraCo – I don't want to so much ask on that. But looking at your fiscal 2024 focus areas and your ability now to look forward with some certainty around InfraCo, I was wondering if you could tell us, just as you look around the globe and your travel, on a three to five year timeframe, are there any specific geographies or players with really interesting services that you seek to emulate for the medium term, please?

Vicki Brady: Yes, thanks, Scott. What a great question; taking the longer run view actually. That's part of the work we're doing at the moment, looking out that five year, and even 10 years out: what are some of the trends that are going to underpin and are going to be important for that long run sustainable growth in our business?

Look, we talk to and engage with lots of our peers around the world, as well as other technology companies around the world. And there's not a specific service I would call out that I've seen out there. But absolutely, I think the thing that everyone is talking about – and certainly in conversations I'm in with business leaders here in Australia at the moment – everyone can see this incredible potential with this next stage of what AI will deliver.

I think generative AI has certainly opened up AI now as very, very mainstream, not something that is sitting in the background. So that's why, for us, things like our venture with Quantium, making sure we're at the forefront of how we adopt these technologies in our business, but also work with our customers to help enable them on the technology front.

And I think it's important to remember as all of that demand for that technology is out there, it needs really great connectivity. So that foundational piece of all of the infrastructure and network that needs to be there, which goes hand in hand with the views and what I've talked about with InfraCo Fixed; it's such foundational infrastructure for the country where we really do see where technology and services are evolving to.

It's only going to generate more demand for that infrastructure, which we already have strong demand for today. So they would be some of the areas I would point to. And obviously, we engage and keep at the forefront of understanding what's happening around the world, so we can bring those things to Australia as soon as we can and have Australians getting access to that technology right amongst the first few countries in the world, as we did with 5G. So thanks for your question, Scott.

Nathan Burley: Now, we will shortly move to a time of media questions, so I invite any media on the call to register their questions. And to register a question is star one. So we'll take our final analyst and investor question from Ian Martin from New Street Research. Go ahead, Ian.

Ian Martin: Oh, thanks. Just wondering if you could give an update on 5G Standalone, just the progress on rollout, what kind of capex it's requiring, and any indications at this stage on usage and utilisation. Is it all focused on the large enterprise and government customers?

Vicki Brady: Yeah, thanks Ian for that. As I talked about, yes, it's exciting to have 5G Standalone rolled out. And absolutely, in terms of where the focus area for that is initially, is in the Enterprise space for sure. That ability to be able to, for example, do a slice of the network that is secure, how we're applying that into private networks for our Enterprise customers – and we're actually working through. We've got several versions of that and some more versions to come.

So absolutely, it's great to now have these advanced capabilities of 5G rolling out. It's hard to believe it's five years of 5G. But there's more to come with these advanced capabilities. So yes, very much we see the first opportunities there in the Enterprise space and engage with some of our key customers in that. We haven't actually split out capex on 5G Standalone, but it's obviously contained in that overall capex envelope where the mobile business does take the biggest share of that. So thanks, Ian.

Ian Martin: Thanks.

Nathan: Thanks, Ian. We do look forward to engaging further with our investors over subsequent weeks, and we do thank them for their interest today. As I said, we'll now move to media Q&A, and after a short break, my colleague, Steve Carey, will MC that. Thank you.

Media Q&A

Steve Carey: Thank you, Nathan, and welcome to the media that are joining us on the call today. We have Vicki and Michael that will remain here for questions. And our first question this morning is from Jenny Wiggins from the AFR. Go ahead, Jenny.

Jenny Wiggins: Good morning, Vicki and Michael. I'm going to follow the lead of the analysts. So I have three questions. Just in regards to keeping InfraCo Fixed and the reference to keeping it in an environment where inflation is quite high, I just wanted to be clear what you were referring to. Are you referring to inflation-linked income that you expect to derive from InfraCo's assets, or were you referring to the fact that inflation is making it harder for you to cut costs in other parts of your business?

Vicki Brady: Thanks Jenny. So very clearly on that one, when I mentioned "inflation linked" or "the inflation environment", absolutely it's talking about inflation-linked income within InfraCo Fixed. So InfraCo Fixed is a very big contributor overall to the Telstra Group, and it does have payments, for example, the nbn payments that are CPI linked. And so in the current inflationary environment, yes, it's an important contributor overall to the earnings and cashflow.

Jenny Wiggins: Right, and do you have a – can you give me a percentage; of what percentage of assets in that business have inflation-linked revenues?

Vicki Brady: We do break out the nbn payments in there in our results, and then – I'm just looking for the number now, Jenny, so you've got it. Where has my page gone?

Michael Ackland: If I could jump in. So the nbn recurring income, out of InfraCo Fixed income of $2,566 [million] – I need a bigger page – it's about $987 [million], I think.

Vicki Brady: Yes, that's right. So you can see that, Jenny, when you go into page 49 of the slide pack that we issued this morning.

Jenny Wiggins: Right, OK, great, and did you actually get any bidders approaching you to buy that business, any expressions of interest?

Vicki Brady: Look, I think it's fair to say, I mean, infrastructure assets, particularly digital infrastructure assets, are – a lot of investors are interested in those. As I said, we looked extensively at various options, but we've absolutely made the decision that the right way to maximise value for Telstra shareholders is to retain the current ownership structure of InfraCo Fixed. And it puts us in the best position to be able to actually make sure we're evolving to meet those customer needs. We're seeing good demand today, and we expect that to grow more strongly and evolve further. And equally, we do see growth opportunities. And understanding the current structure, it still gives us the flexibility to explore operating and financial infrastructure partnerships.

Jenny Wiggins: Right, OK. And finally, one of your competitors, TPG, is getting rid of email addresses. It'll no longer provide them as part of its broadband and wireless internet services. Does Telstra have plans to do the same thing to cut costs?

Vicki Brady: So actually, for our Bigpond customers, we know how important email addresses are. And in fact, we're quite a long way through, at the moment, an upgrade of our Bigpond email service to ensure that it's providing all of those features and functions that we expect today in an email service. So no, we have no plans to remove our email service.

Jenny Wiggins: OK, great. Many thanks.

Steve Carey: Thank you, Jenny. Our next questions come from Tim Biggs from Fairfax. Over to you, Tim.

Tim Biggs: Hi, everyone. Thanks for the opportunity. I have three questions as well. First of all, on mobile handsets; phone manufacturers are now offering a lot more incentive for customers to purchase directly from them. And combined with the slowing upgrade cycle for many customers, could you talk a bit about whether this impacts hardware sales at Telstra, especially as we're about to have a new iPhone next month?

Vicki Brady: Yeah, thanks Tim. Look, we've seen for several years now – actually we changed our mobile proposition. So we split apart the service, your ongoing monthly service contract and your hardware. So customers can choose to buy hardware from us and pay over time, or buy it outright. In fact, over the last 12 months, we saw our handset revenue grow by 12%. So we saw both volume-up and the average retail price that customers were willing to pay for new phones also increase slightly. But I think we're seeing that growth right across the board where consumers are choosing to buy from retailers, buy direct from handset manufacturers. So we have that flexibility available to make sure customers have that choice. And as I said, we did see growth over the last year, about 12%, in our hardware revenue.

Tim Biggs: OK, thanks for that. On broadband, I know it's early to comment on nbn's revised SAU, but do you think there's a potential for consumer broadband prices to come down at the higher capacity plans over the next 12 months?

Vicki Brady: Yes, look, so nbn obviously lodged their latest version of their SAU yesterday afternoon. I haven't been through it yet in detail. It's a little over 400 pages, I think. And so we will carefully work through that and understand it. There are a number of moves inside that in terms of the wholesale pricing, and we'll need to consider that, as will the rest of the industry, and then determine what changes we might need to make as a result.

Tim Biggs: OK, thanks. And finally, does Telstra still have plans to enter the energy market and potentially introduce mega bundles for phone, internet and energy?

Vicki Brady: Yes, so you're right. We built the capability to be able to do energy retailing. We've made the decision through the course of last year, and then in FY24. we won't scale up our energy retail business in FY24, and that's really been a decision around needing to make sure we're prioritising the things that are going to have the biggest impact on customers. And so we have prioritised the migration of our Consumer and Small Business customers into our new digital environment, which is where we've built the new energy retailing capability. So we won't be scaling it up in FY24, but it is a capability. We have built, and we will come back and review as we progress further on our digitisation migration of customers.

Tim Biggs: OK, thanks for your time.

Steve Carey: Thank you, Tim. Thanks for the questions. Next up, we have David from The Australian. David, over to you.

David Swan: Thanks very much. And congrats on the numbers. I wanted to ask firstly, just obviously the headcount reduction last month of around 500. I wanted to ask Vicki if we can expect any more headcount changes, or if you're happy with current headcount levels and how they're sitting at the moment?

Vicki Brady: Yes, thanks, David, for that, and thank you for the comment on our results. Look, we did announce some changes last month where we did flow through some changes in terms of impacts on our employees. And they're decisions I can assure you I never take lightly. Under T25, unlike T22, we don't have a headcount-out number. We obviously are always looking to drive the right level of efficiencies. And as our business changes, for example we retire legacy systems and products, that does flow through to changes at times.

Now, the commitment we made to our teams is that we would do that early in the financial year, which is exactly what we've done for FY24. So I'm not expecting any other major impacts during the course of this year. It's important to remember as well that over the last couple of years, we have brought our Consumer and Small Business calls back on shore, and we have brought back our retail stores. So we have seen growth in our employee numbers over the last couple of years.

David Swan: Thanks. I just had one more question, if that's OK. I know in Europe and the US there are proposals and discussions over making streaming providers like Netflix, for example, pay for network upgrades, and some telcos and providers over there say that's the right thing to do. Do you have a similar perspective? Is there any discussion happening at Telstra at the broader retail level about fighting to make streaming providers pay for network upgrades, for example?

Vicki Brady: Yes, look, I've been watching closely, and speak to my peers in other parts of the world, David. And as you said, particularly in Europe, I think it is a very different conversation. That's not something that we've seen here in the Australian environment, and not something that we're actively pursuing at the moment.

David Swan: Thanks very much.

Steve Carey: Thanks, Dave. Next up for questions we have Josh Taylor from the Guardian. Over to you, Josh.

Josh Taylor: Good morning, and thanks for your time. We've seen, obviously – I heard you talk about it before, about the mobile – the expected churn as a result of the price increases. At the time when you announced these, you pinned it on inflation, and increasing it by CPI saying cost of business and everything like that. Do you feel that that increase in prices is also contributing to inflation? And separately, do you think your 13% increase in profits is contributing to inflation too?

Vicki Brady: Thanks, Josh, for your question. So the first thing I would say in terms of mobile pricing: if you look at the ABS CPI data, you'll see that telecommunication services have gone down in real terms over the last few years. So I don't see telecommunications pricing contributing to inflation. And obviously, particularly now, customers increasingly rely on connectivity. And as you will have seen in our results as well, we continue to see great demand on our network and we do invest a lot of money into our network to make sure we're delivering at that world class experience, particularly on our mobile network.

So yes, that does mean needing to make those choices and decisions to have pricing at a sustainable level, to be able to invest and deliver that high quality level of experience for our customers. So that's how I think about mobile pricing.

Josh Taylor: Can I also just ask, just in regards to the Bigpond email, it's a dwindling supply of accounts now, isn't it, because effectively you stopped offering new bigpond.com accounts in 2016. So you're maintaining it for an ever-decreasing base, right?

Vicki Brady: We have a really engaged Bigpond email customer base. So they are very active users of it, Josh, which is why we made the decision to actually upgrade and make sure we had the right features and functions to be able to support their needs. So it's absolutely an important part of our broadband service for our customers.

Josh Taylor: Thank you.

Steve Carey: Thanks, Josh. Just a reminder: if you wish to register for a question, please press star one. If you wish to cancel, press star two. Our next question comes from Grahame Lynch from CommsDay. Over to you, Grahame.

Grahame Lynch: Hi there, Vicki, and hi to the team. I've got a question regarding the fixed Consumer and Small Business division. The EBITDA margins have improved a bit. But they're still quite low at 3%, and are quite clearly much lower than the rest of the business. nbn's new SAU will see the price of your main products that you resell from them, 50Mbps go up in the order of around 10%. So what's your strategy to deal with an increase in costs from nbn in terms of maintaining and improving EBITDA in that area? And also, they're trying to migrate everyone up to fibre with the higher speeds, and that's a big churn event, evidently. What's your strategy for mitigating the impact of that?

Vicki Brady: OK, thanks Grahame, and yes, you're right. So when we look at our Consumer and Small Business fixed side of the business, look, the first thing I would say: you're right. Overall fixed C&SB margin for the year, EBITDA margin was 3%. But I would call out particularly on our offnet margin, our nbn resale, we achieved an 8% margin, and that's up on 5% from the prior year. So that has taken a lot of effort to move those margins in the right direction.

Now, as you're aware, the nbn submitted their revised – most revised up to date SAU late yesterday afternoon. And so we've still got to work through that. Obviously, we'll carefully consider it. But as we step back and look at it, obviously we'll think about all of the commercial levers we have in terms of how do we continue to grow Consumer and Small Business fixed overall EBITDA? And that's what we spoke about today, that we need to look at that portfolio in total across brands, across technology types, and look to grow EBITDA. That's absolutely our ambition.

And you mentioned Fibre Connect. I see Fibre Connect as an opportunity. I mean, we know for the customers that move across onto Fibre Connect, it is a good experience. And so we're excited about making sure we're supporting our customers to get the best possible broadband experience that best suits their needs. So I see Fibre Connect as an opportunity.

As you probably know, Grahame, in our terms of our mix of plans, we're a little bit lower than the market on our overall speed mix relative to the nbn total. So we again see that as an opportunity of getting customers onto those higher speed plans where it suits their needs, and Fibre Connect is important in that.

Grahame Lynch: OK, thank you very much.

Steve Carey: Thanks, Grahame. And we'll now move to Eric Johnston from The Aus. Eric, over to you.

Eric Johnston: Yes, thanks, Steve, and thanks Vicki, for your time. Look, just two questions if I may. Just the first one around the infrastructure business. Are you shifting your thinking inside Telstra a little bit? Is that now becoming a little bit more of a growth opportunity than what you previously thought given where the data market is heading?

Vicki Brady: Yes, look, Eric, we're really excited about the future of InfraCo Fixed. You think about that business; it's long-term investments delivering long-term sustainable growth. And that's a really important underpinning to Telstra's overall objectives, particularly that sustainable growth over the long term. And as I talked about today, by really standing that business up and running it as a standalone business, it's become very clear the opportunities there.

And I would say over the last year or two again, I'm more optimistic again on the opportunities there. We've started with the first five routes of our intercity fibre build. We see the trends that are happening technology wise, the shift to the cloud, the rapid AI adoption. All of those things contribute to an optimistic view of long-term growth out of InfraCo Fixed. So yes, we're absolutely – the decision to retain the current ownership we think puts us in the best position to be able to explore those opportunities and look to maximise long-term value for Telstra shareholders.

Eric Johnston: And if I can just follow up on something a bit more broader, the macro view. So from where you're sitting and looking at Australia's economy over the next six to 12 months, what's the expectation? You're optimistic we can avoid that recessionary dip, or there's resilience there in the markets you operate?

Vicki Brady: Yes, well I watch all and read lots of commentary, Eric, as I know you do as well. I think I sit in the more optimistic camp. I'm hopeful that as a country, we can navigate through these next six to 12 months. Obviously, there's still a lot of uncertainty out there. But I certainly am sitting more in the optimistic camp.

Eric Johnston: OK, thanks.

Steve Carey: Thank you, Eric. Our final question registered comes from Joseph Lam. If you do have any questions or any further questions, please do register on star one. But Joseph we'll go to you for our last questions. Over to you.

Joseph Lam: Thanks, Steve. Hi Vicki. I hope you're doing well. Some quick questions. So during the call it was mentioned that there has been significant growth in data on prepaid mobile phones. So I'm just curious as to whether you can provide any insight on what's driving that data growth?

And previously, you flagged that customers are holding onto their handsets for longer. So I'm just wondering whether Telstra is looking to capitalise on that increased demand for data, to make up for any losses in revenue perhaps for apps or any of the churn in post-paid plans? Thank you.

Vicki Brady: Thanks Joseph for that. I found the second part of that a bit hard to catch. I'm sorry about that. Would you be able to just give me the second question again?

Joseph Lam: Yes, so I was just asking whether Telstra is looking to capitalise on that increased demand for data and prepaid mobiles, and whether that might be used to make up for any losses in your hardware sales or mobile apps or any of the churn on mobile phones?

Vicki Brady: Got it, great. Thank you. And look, yes, as I spoke to today, we're seeing incredible growth in terms of data on our mobile network. It was around 35% in FY23. And you can probably imagine where most of it comes through. Video obviously drives a lot of demand on the network, and increasingly, I think, people are comfortable using their mobile device often as one of their primary means of engaging with all sorts of content and social media. Certainly in our household, my teenage daughters; they don't move far without their phones. And so we absolutely see that growth coming predominantly from those high bandwidth, high data using applications, particularly in areas like video.

Obviously, we all work on collaboration tools today, things like Teams; again, those things, people doing that over their mobile devices as well. So many things continue to drive it, and it's fair to say I think we're all increasingly dependent on our mobile devices, and we see our customers really valuing that high quality network experience and being connected.

Then in terms of overall; yes, we've seen strong growth in the prepaid market, and that's been both in growth in customers, but also growth in ARPU. And again, we're seeing prepaid customers' data growth also increase. We have an approach to market where we use a multi-brand approach. We have multiple brands and products and choices for customers. And so, look, we're definitely seeing at the moment – particularly that prepaid space, and our wholesale partners in the MVNO space – there is strong growth there and demand. And we're really pleased to be able to have an ability to have propositions and brands that can meet those various needs.

Joseph Lam: Great, thank you.

Steve Carey: Thank you, Joseph. And thank you to all the media that have joined us on the call. There are no further questions, so we might wrap things up. Thank you all for joining our FY23 full year results. And we'll wrap things up. Thank you.

[End of transcript]