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**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Telstra's T25 strategy to deliver growth, exceptional customer experiences, and continued network and tech leadership**

In accordance with the Listing Rules, I attach a market release for release to the market.

Authorised for lodgement by:

**Sue Laver**  
Company Secretary



## Telstra's T25 strategy to deliver growth, exceptional customer experiences, and continued network and tech leadership

- **5G network coverage to be extended to 95 per cent of population**
- **Regional coverage to be expanded with 100,000 sq km of new 4G and 5G coverage**
- **Customer experience strategic NPS uplift of 25 points across all segments**
- **Telstra Plus members targeted to grow to 6 million by FY25**
- **Mid-single digit underlying EBITDA and high-teens underlying EPS CAGR to FY25<sup>i</sup>**
- **Maximise fully-franked dividend and seek to grow over time<sup>ii</sup>**
- **Further \$500 million net fixed cost out from FY23 to FY25**
- **Greater access to towers assets with 250 new towers and 700 additional tenancies**
- **Employee engagement in 90th percentile**

**Thursday 16 September 2021** –Telstra today announced its T25 strategy to accelerate growth, enhance customer experiences through predictive analytics and localised support, and capitalise on permanent shifts in how people work and live.

To commence from 1 July 2022, T25 will be built on four strategic pillars to deliver:

- An exceptional customer experience you can count on
- Leading network and technology solutions that deliver your future
- Sustained growth and value for shareholders
- The place you want to work.

Telstra CEO, Andrew Penn, said the company's T22 strategy had fundamentally transformed Telstra and paved the way for T25 to deliver growth.

"T22 has been one of the largest, fastest and most ambitious transformations of a telco globally and today we are a vastly different company," said Mr Penn.

"This means we are poised for growth as our society and economy increasingly digitises and we all work, study, transact and get our entertainment online. These fundamental shifts, together with T25, will underpin our future growth and shareholder value.

"If T22 was a strategy of necessity, T25 is a strategy for growth," said Mr Penn.

T25 aims to provide a range of benefits including:

- **Consumer and small business customers:** will get exceptional customer experiences as telco, energy and tech products and services are personalised and localised for individual customers using predictive analysis. This will be supported by one of the country's largest retail footprints, Australian-based contact centres and a 24/7 digital shop, delivered on Australia's biggest and best mobile network – including the leading 5G network.
- **Enterprise customers:** will have access to Australia's largest one-stop-service shop providing a range of managed and consulting services, telco products (connectivity, cloud, IoT and cyber security) and in-house expertise of Telstra Purple to help customers digitally transform and grow.
- **Regional customers:** will see regional coverage expanded by 100,000 sq km of new 4G and 5G coverage, extending Telstra's network reach even further.
- **Shareholders:** Telstra will aim for sustained growth and value by targeting mid-single digit underlying EBITDA and high-teens underlying earnings per share CAGR from FY21 to FY25<sup>1</sup>. T25 also aims to deliver \$500 million of net cost reductions, cash conversion and generation, active portfolio management and shareholder value through an updated capital management framework.
- **Employees:** will work for a leading employer with an employee engagement in the 90<sup>th</sup> percentile as Telstra continues to invest in one of the world's largest Agile workforces, accelerates digital leadership and continues to set the standard in hybrid working.
- **The community and nation:** will experience Telstra's responsible business commitments across environmental, social and corporate governance as a core part of T25, including support for at least one million vulnerable customers to stay connected, reducing carbon emissions by 50 per cent by 2030 and continuing to build fairness, inclusion and accessibility into products and services.

Mr Penn said Telstra's purpose, to build a connected future so everyone can thrive, and its values would underpin its responsible business approach which was core to T25's four strategic pillars.

### **Pillar 1: An exceptional customer experience you can count on**

"As connectivity increasingly powers our lives, Telstra will respond by providing an easy-to-access, expanded range of telco and energy services with Australia's biggest and best mobile network for consumers and small businesses," Mr Penn said.

"We will also establish a fully integrated channel experience so customers wanting a telco product or service, energy, tech equipment or an integrated home solution, can use the channel of their choice at a time of their choice.

"On top of this, our customer experience will become even more localised and, as a result, customers will be able to call us and speak to an Australian contact centre service rep or visit a local expert in our Telstra owned store network.

"We will use technology, AI and analytics to provide customers a more personalised experience with products and services, and to predict and resolve issues before customers know they are happening.

"We will also continue to lead and differentiate with our fixed network, because while the nbn might be fully rolled out, not all retail service providers on the nbn are the same. How we connect our customers will be differentiated. We will enhance the in-home customer experience through upgrades to the Telstra Smart Modem, Telstra TV, WiFi Doctor and other capabilities in our pipeline. Our energy customers will also be provided with smart meters for a holistic in-home solution.

"These capabilities will make it even easier for our customers to engage with us. We will get to a point where for more than 90 per cent of customer services they will only need to engage with us once and it is done – no more interactions – just once and done."

Telstra's rewards program, Telstra Plus, already has 3.5 million customers, and under T25 it will be expanded into a full sales and marketing channel.

"We will scale Telstra Plus to bring personalised offers that are not available anywhere else so we reward and thank our customers, and build it to rival the best rewards programs in Australia," said Mr Penn.

"To do this we will leverage our many relationships with Australia's largest enterprises and partner with small businesses to create greater reach into local markets. It is a huge opportunity, and we are targeting 6 million Telstra Plus members by FY25, to make it one of the largest rewards programs in the country."

Under T25, Telstra Enterprise customers will increasingly rely on Telstra to help deliver their business outcomes with telco products, edge compute, cyber security, cloud, AI and IoT delivered and managed by Telstra Purple.

"The pervasiveness of technology in businesses today and its ability to transform their operations no longer means one size, or one solution, fits all. Enterprise customers want tailored technology solutions to solve their most pressing business problems and opportunities," Mr Penn said.

"To meet this need we have structured our enterprise business to have greater industry alignment with technology services experts in specific industries, providing scalable industry-specific solutions.

"Through T25, our enterprise customers will continue to benefit from our work to reduce product complexity, improve our sales capability, and improve customer support. We expect these changes to contribute to mid-teens EBITDA margins for our NAS business."

### **Pillar 2: Leading network and technology solutions that deliver your future**

Mr Penn said T25 would maintain Telstra's investment in leading networks including its mobile network, with the country's best coverage, speed, latency, resiliency and domestic core connectivity.

"Our customers will keep enjoying our investment in 5G, which will deliver approximately 95 per cent population coverage, including a 100,000 sq km increase in our 4G and 5G network footprint, substantially increasing regional coverage.

“Over the next 3-5 years this will be supported by our continued 5G network roll-out and the doubling of metro cells to increase density for greater capacity and speed. As a result, we expect 80 per cent of all mobile traffic to be on 5G by FY25.

“We will have extended our 4G coverage to 100 per cent of our network by FY24 enabling us to continue to lead in composite coverage, speed, and performance for 4G and 5G as we close 3G. This will set us up well for early planning on 6G which will clearly be on the agenda by the end of T25.

“Increasingly, it is not just the physical network where we can differentiate. Historically key aspects of functionality in networks have been relatively static. But now with software, we can dynamically manage all aspects of our network experience and boost security with our 5G network and edge compute capabilities so customers, from those at home to big businesses, can rely on safe and secure services.

“Across our network and tech platforms we are also building ever-increasing resilience with the creation of small blast zones and automated orchestration. So, if one part of the network goes down, the network automatically reconfigures to ensure the smallest possible number of customers and services are affected.”

### **Pillar 3: Sustained growth and value for shareholders**

Under T25, Telstra will deliver on its ambition of increasing underlying ROIC to around 8 per cent by FY23, mid-single digit underlying EBITDA and high-teens earnings per share CAGR from FY21 to FY25<sup>1</sup>.

Telstra’s updated capital management framework<sup>ii</sup>, effective from today, includes principles to maximise fully-franked dividends and seek to grow them over time, to invest for growth and to return excess cash to shareholders.

Through delivery on its T25 commitments, Telstra is confident in maintaining a minimum 16 cent per share fully franked dividend, subject to no unexpected material events and the requirements of its capital management framework.

“Our financial ambition is to maintain leading operating cost metrics for a full service telco through capex discipline and efficiency and cost reduction from completing the decommissioning or exiting of legacy IT systems,” Mr Penn said.

“We will deliver a further \$500 million of cost reductions on top of the \$2.7 billion already committed for T22, while at the same time investing for growth. The profitable growth of our Health and Energy businesses at scale will also contribute to our future success.

“We will continue active portfolio management to unlock value and to manage balance sheet settings consistent with an A band credit rating, and create value through our capital management framework.

“The restructure of Telstra with a new holding company and four key subsidiaries – Infra Co Fixed, Amplitel (or Infra Co Towers), Telstra Ltd (or ServeCo) and Telstra International – is the key final step in our T22 commitment to establish a standalone Infrastructure business to drive performance and set up optionality.

“We are seeking to implement the restructure through a shareholder and Court approved scheme of arrangement.

“All steps in the restructure process are progressing well. We are optimistic of finalising the restructure before the end of T22 and we expect to be well positioned to progress to the next stage in preparing for monetisation opportunities as part of our T25 strategy announced today.

“Given the number of external factors that need to occur ahead of a shareholder vote, some of which are beyond our control, and the sequencing of this around the holiday season, the scheme meeting is now likely to be early next year.

“We also know the Government is considering amendments to legislation, so that it appropriately reflects our new structure once it is implemented.

“In making these changes the Government is applying a principle of regulatory equivalence – that is the regulatory obligations that currently apply to Telstra would also apply to the entities in the new corporate group in effectively the same way.”

### **Pillar 4: The place you want to work (Telstra as a top employer)**

Mr Penn said there was no doubt the experience over the last 18 months with COVID-19 had completely

turned work on its head so companies that will be successful in the future will be those that embrace change and use it as a catalyst to create the place people want to work.

“We will bring this to life at Telstra by excelling in new ways of working, accelerating digital leadership and by doing business responsibly.

“Through T22 we have moved almost 17,000 people to work in Agile, at scale, and under T25 we will expand our BizDevOps approach to bring our developers, operational teams and business teams closer together so we are more responsive to customer needs and quicker to market.

“We’ll also continue investing in our digital leadership including improving our products, processes and experiences with proactive and predictive artificial intelligence and machine learning capabilities.

“We expect to have 100 per cent of key business applications using API first architecture and 90 per cent of applications on public cloud infrastructure by 2025.

“Our digital-first mindset and agile ways of working will make us one of the most responsive and customer-focused telcos in the world.

“Promoting flexibility and sustainable hybrid work is going to be critical to attract and retain the best talent. We will also continue investing in new skills and a workplace fit for the future, where technology, tools and work practices support our people to be engaged and productive regardless of where they choose to work.

“As part of our focus on being a responsible business we have also set ourselves ambitious goals to reduce our absolute emissions and to be the largest certified carbon neutral company in Australia.

“We will also continue our programs to address barriers stopping people going online particularly for regional and remote Australians, and to connect one million vulnerable customers and build digital skills for 500,000 Australians.”

## **Finishing the job on T22**

Mr Penn said he was incredibly proud of what had been achieved with T22 so far and the foundation it had created for T25.

“Successfully implementing T22 has been a huge feat when you consider it’s one of the largest transformations ever undertaken by a telecommunications company and with the added complexity of managing through COVID-19.

“Through T22 we have set the foundation for our future success. We have simplified our operations and products, improved customer experience and reduced our cost base and our InfraCo plans are well progressed, helping us deliver value to shareholders. While T22 has been a success, we have more to do. We are determined to finish the job.

“Today’s announcement of T25 marks our transition from transformation to growth, from a strategy we had to do, to a strategy we want to do to focus on growth. It is a strategy that builds on the strong foundations we have built over the last three years and remains focussed on what matters most – our customers, our people, our shareholders and on supporting the creation of a vibrant digital economy for Australia.”

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<sup>i</sup> Underlying EBITDA defined as “EBITDA excluding net one-off nbn receipts and guidance adjustments. FY21 underlying EBITDA also includes depreciation of mobile lease right-of-use assets.” Underlying EPS defined as “Profit after Tax and Minority Interests (PATMI) from continuing operations excluding net one-off nbn receipts and guidance adjustments per share”. These financial ambitions are not guidance – see disclaimer in slides contained in the management presentation materials lodged with the ASX today.

<sup>ii</sup> Further details on the updated Capital Management Framework are set out in the CFO’s slides contained in the management presentation materials lodged with the ASX today.