



1 July 2021

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra sells 49 per cent of Towers business – briefing transcript

I attach a copy of the transcript from the briefing held yesterday in relation to Telstra's sale of 49 per cent of its Towers business, for release to the market.

Authorised for lodgement by:

Sue Laver
Company Secretary

Telstra TowerCo announcement, 30 June 2021 – Transcript

Nathan Burley: Good morning and welcome to this call to discuss Telstra's InfraCo Towers transaction announced this morning. My name is Nathan Burley, Head of Investor Relations, and I respectfully acknowledge that I am joining today from the lands of the Kulin Nation, and on behalf of Telstra I would like to pay my respects to the traditional custodians of country throughout Australia, and recognise their continued connection to land, waters and culture. We pay our respects to Elders past, present and emerging.

On the call today are Telstra's CEO, Andy Penn, CFO, Vicki Brady, Telstra InfraCo CEO Brendon Riley, and Group Treasurer and Head of Corporate Finance, Guy Wylie. Andy, Vicki and Brendon will first make some opening comments on today's announcement, and we will then be taking questions from analysts, investors and then the media.

I'll hand over to Andy Penn.

Andrew Penn: Well, thanks very much Nathan, and thanks everybody for joining us today, because it's an exciting day for us; end of the financial year, but also exciting to be able to announce this very significant milestone in our T22 strategy with the partnership led by the Future Fund and Commonwealth Superannuation Corporation, Sunsuper, and managed by Morrison to acquire a strategic investment in our towers business, Telstra InfraCo Towers. And so we're incredibly excited to be able to share that with you this morning.

The transaction values Telstra InfraCo Towers at \$5.9 billion, and we expect to receive net cash proceeds after transaction costs for the 49% interest that the consortium will be taking of \$2.8 billion at completion. Importantly, we will retain a 51% majority ownership of InfraCo Towers, and will continue to own the active parts of the network, to ensure that we continue to maintain our network leadership coverage and network superiority.

Now, when we announced the potential monetisation of InfraCo Towers, I was clear that we would preserve our strategic differentiation in mobiles, and protect our network leadership, and I am very pleased, therefore, to be able to announce this transaction absolutely achieves that, whilst ensuring that we're able to deliver very significant value for shareholders.

We were approached by the consortium earlier this year as they recognised the value of these assets, and provided a compelling rationale for us to progress this transaction, which as you know we were looking to do potentially in the second half of the year. So I'm very, very pleased that we've been able to accelerate that and bring value to shareholders even sooner than we had previously anticipated.

So we will brief the market in terms of how we will utilise the proceeds at our full year results announcement. We will be investing \$75 million to provide additional coverage and capacity, and continue to improve network experience in regional and rural Australia, but we will intend to return approximately 50% of the proceeds to shareholders. And we'll provide further details of how we will do that in conjunction with our full year results in August.

And I think that I just really wanted to finish by saying this is an incredibly exciting transaction. And it is a further endorsement that our T22 strategy is delivering. When we announced T22 back in 2018, I said that one of the things that we would be doing would be setting up our infrastructure assets as a separate standalone business unit. That's exactly what we've been doing. And we said we would do it to maximise value for shareholders and to provide opportunities to continue to grow and develop those businesses. And that's exactly what's happening, and under the leadership of Brendon Riley, so we're incredibly excited.

This is a very, very important milestone. I think it's a great outcome for all stakeholders. We're delighted with the quality of the consortium that we'll be working with led by the Future Fund. And as I say, I think it's a tremendous endorsement that our T22 strategy is absolutely delivering.

So with that said, I might hand over to Vicki to run through some of the financials, and then we'll also hear from Brendon Riley.

Vicki Brady:

Thanks Andy, and thank you to everyone for joining us today, final day of the financial year. As Andy just said, the transaction values Telstra InfraCo Towers at \$5.9 billion, representing an FY21 pro forma EV to EBITDA after leases multiple of 28x.

We're pleased with how the valuation benchmarks to other Towers transactions, particularly given we're confident we can maintain Telstra's mobile network leadership. We've also sold a minority interest when comparable deals at this level generally have involved a majority or 100% sale, and the Towers entity will have no debt.

Just to recap on net proceeds after transaction costs of \$2.8 billion at completion. Completion is expected in the first quarter of FY22. And we will apply the net proceeds consistent with our Capital Management Framework. Net cash currently expected to be used firstly, as Andy just mentioned, \$75 million from the proceeds to further enhance connectivity in regional Australia. We then expect to return 50% of net proceeds to shareholders. We anticipate providing further details about the manner in which we will return those proceeds, including via share buyback in FY22, at our full year results in August. The remainder of the proceeds will be used for debt reduction to ensure we maintain balance sheet strength and flexibility. The level of debt reduction is important to deliver a broadly neutral credit outcome, given the long term Tower access obligations created by the transaction.

From an accounting perspective, Telstra will consolidate InfraCo Towers given our 51% ownership. The Telstra consolidated balance sheet will reflect the proceeds received and a non-controlling interest recognised in Group equity.

As I mentioned earlier, InfraCo Towers will not hold any debt. Debt raised by the consortium for the acquisition will be held at the minority investor level, and not consolidated onto Telstra's balance sheet.

The long term Tower access obligations between Telstra and Telstra InfraCo

Towers creates an intra-group liability, which is eliminated on consolidation. This transaction and use of proceeds are expected to be accretive to earnings per share, and free cash flow per share.

I'll now hand over to Brendon Riley for him to make some comments.

Brendon Riley: Yes, thanks very much, Vicki and Andy. Look, Telstra InfraCo Towers are some of the most strategic infrastructure assets in the industry and across the nation. And I think the valuation and the outcome today is a proof point of that, and also a proof point of all the foundational work that we've been diligently doing over the past couple of years. And I know many of you have been waiting for this monetisation event to come.

Importantly, Telstra is our biggest customer. And we're absolutely committed to delivering on all of our commitments for Telstra to continue to lead in market and achieve all of the objectives it wants to achieve out of this agreement. While InfraCo Towers is already delivering growth and efficiencies, I believe the new agreement will help us sustain our market leadership with new investment in infrastructure and services. We're very focused on providing best in class customer service and solutions to the entire industry, and importantly, leveraging new technology to improve our speed and efficiency.

We welcome the relationship with our new consortium partners, including the experience and disciplines which Morrison & Co will bring as managers. And I've been very impressed with the Morrison & Co team in the weeks that we've been able to work with them.

We intend to launch a new brand for InfraCo Towers in the weeks ahead, which reflects the announcement and the long term intent of the business, so we'll look forward to updating you on that.

As mentioned in the release, Jon Lipton will be the CEO of the new entity. Jon has been our InfraCo Towers executive since inception. I'll be chairing a six person Board, which will include executives from Telstra, Morrison & Co, and the Future Fund.

There are no closing conditions, and we're confident of driving a rapid close process, including the creation of all required entities and structures by the end of the first quarter of the financial year.

I'll pass back to Nathan.

Nathan Burley: Thanks, Brendon. We are now going to open for questions. Just a reminder, if you do want to register a question, press star one, and star two to cancel. But I'll open up for our first question, which is from Kane Hannan from Goldman Sachs. Go ahead Kane.

Kane Hannan: Morning. thanks Nathan and good morning guys. Just three from me please, just some quick ones. Just firstly on that comment around accretive earnings and free cash flow per share. Just confirming, is that expected year one, and any more sense of the quantum of your expectations?

Secondly, just on capital returns, can you just step us through how you will approach the decision around on-market versus off-market buybacks, and how much you will think about timing of that buyback, and whether you'd need to see a 14% discount to progress the off-market?

And then finally, just interested whether there's been any high level discussions with the consortia regarding your other infrastructure assets? Cheers.

Andrew Penn: Thanks very much, Kane. I might just take the last one first, and then ask Vicki to comment on the accretion, and the thought process on capital returns. Look, the short answer is today we're focusing on towers. We're very, very pleased with the consortium. I think it's super high quality. And we're very, very happy with the partnership.

And one of the things that I think they've brought to this process is a deep empathy and understanding about the importance of our network leadership, and how they can work with us to make sure that we can capitalise on growing the value of the towers business, and continuing to enhance our network leadership. And that's been incredibly important and helpful for us in selecting them as a partner.

We're obviously going through the process, as you know, putting in place the broader corporate restructure, which we are aiming to get done by the end of the calendar year. But we haven't progressed any further discussions in relation to other aspects of our infrastructure assets at this point in time. But it's obviously something that's ahead of us. And we'll talk to the market in due course on that. But no, just super happy with the Future Fund and the consortium as a partner.

But Vicki, do you want to take the questions on the impact on earnings and capital returns?

Vicki Brady: Yeah, absolutely. And thanks, Kane for those questions. So firstly, on this being accretive, obviously, well, as we think it through, there's two components. So there'll be the debt reduction that I mentioned. So obviously, reduction in interest paid. And the second piece as we work through the best way to return money to shareholders, factoring in a likely equity return, then yes, we would expect accretion from year one. In terms of that level, obviously, there's still quite a bit to be worked through that we'll come back to at the full year results in August. But at the moment, expectation is probably in the low single digits in terms of accretion.

Just on the second point around capital returns, as I just said, there's quite a bit to work through between now and results time, mid-August. And as you'd be aware, from a franking credits point of view, at the half we sat with around \$138 million in our franking credit balance, obviously dividends and tax paid through the six months. So we're in a different position to several years ago. So they're all of the considerations we're working through Kane. And that's why we'll come back, as I said, at results at 12 August and give a more detailed update on what that will look like.

Kane Hannan: Thanks Andy, thanks Vicki.

Nathan Burley: Thanks, Kane. The next question is from Entcho Raykovski from Credit Suisse. Go ahead Entcho.

Entcho Raykovski: Morning all, and congrats on a good outcome. So I might go with three as well. Just to follow up on the capital return front, and just from a dividend perspective, interested in whether you will look to maintain the 16 cents per share, or whether you see scope to increase that number, particularly given your comments around EPS, free cash flow, accretion?

Then secondly, can you talk us through the rationale for not putting any debt into InfraCo Towers? I guess I understand that from the buyers' perspective, that they're going to obviously hold the debt within, obviously, within their structure. But presumably, you could have geared this up as an entity, so could have shifted some of the Telstra debt into TowerCo?

And then just finally, I don't know if you can give us any colour around the quantum of the escalators that you've had built in under the 15 year agreement that you've talked about? Thank you.

Andrew Penn: Thanks, Entcho. I'll maybe just comment on the first one on the dividend, and I'll get Vicki to comment on debt, and then Brendon can talk about the intercompany arrangements, and the escalators that you referenced there.

Look, in terms of the dividend at 16 cents per share, as you know, I think we've previously said to the market, that to be able to sustain a dividend of 16 cents per share without the benefit of the one-off payments from the NBN, we need to get our underlying EBITDA into the range of \$7.5 to \$8.5 billion. And as we said at the half year, that's absolutely on our trajectory, as is achieving underlying EBITDA growth next year of mid to high single digits. We'll obviously provide a guidance for next year in conjunction with results. So that is the path towards a sustainable 16 cent dividend.

And of course, thereafter, the opportunity to increase the dividend obviously, will be a function of our ability to continue to grow the earnings of the business, and that's absolutely, obviously, what we're focused on doing. And the other thing we'll talk about is our strategy beyond T22 in the second half of the year as well, which I've previously flagged. So that's probably as much as I will say on the dividend at this point. But then Vicki, do you want to just comment on the approach on debt and structuring in that regard? And then also, we'll go to Brendon on the intercompany agreements.

Vicki Brady: Yeah. Thanks, Andy. I'll make a few comments, and then Guy is on the line as well, I might ask him to make some comments also. So firstly, Entcho, we're really pleased with the way the deal has been structured. So as you said, yes, the consortium raises its debt, and holds it at the minority investor level, and doesn't consolidate on to the Telstra balance sheet.

From our point of view, obviously, we're looking at the consolidated picture.

Important to us is maintaining inside our credit parameters and wanting to maintain A band rating. And as I mentioned, there are obviously intra-group liabilities created through the long term commitments by Telstra to Telstra InfraCo Towers. So those factors were important as we looked at the overall consolidated picture. But Guy I might get you to jump in and just talk more specifically on Entcho's questions around in InfraCo Towers itself.

Guy Wylie: Sure, I mean, it's simple one, Entcho. We're really excited that we didn't have to use debt capacity with the InfraCo Towers to get to what we think is a superb multiple. So I think in that regard, we didn't need to use the Telstra debt capacity. And if we did, it would have round tripped anyway, we would have had to have raised it downstairs and paid it back. So we've got a very simple, very clean debt structure, which is all at Telstra Corporation at the moment. We want to kind of keep it that way. So we're really, really pleased that the consortium here was able to raise debt away from Telstra, at their HoldCo.

Andrew Penn: Thanks Entcho. And I'll just maybe just pick up your comment on escalations. In the towers business, the single biggest cost base is the land leases. And we have an escalator that's built into the commercial arrangements, which reflects the projection of those lease increases over time. And so that's probably the biggest item from a cost perspective. And then obviously, we have long term volume commitments from Telstra on its requirements for towers and other services. And that's also built in. So they're the sort of two major items, top line and bottom line. Thanks.

Entcho Raykovski: Got it. And can you give us any colour on the quantum of those escalators? And if I can just follow up on the dividend side, maybe I wasn't very clear with my question. I guess what I was asking was, is there scope in the short term if you pay a bigger special divvy to go above that 16 cents? Or do you see that sort of as the upper band of what you'd be paying near term?

Andrew Penn: On your question on the dividend, you were clear. I was just, I'm just not really in a position to comment any further at this stage of the dividend, and Brendon, maybe on that comment on the escalators?

Brendon Riley: I think on the escalators, I mean, I think Telstra and InfraCo Towers are comfortable with where the escalators are at. I mean, we're not sort of getting into the numbers, but it's sort of what you'd expect, I think for land lease escalators and the towers business.

Entcho Raykovski: OK, thank you.

Nathan Burley: Thank you Entcho. So the next question is from Roger Samuels from Jefferies.

Roger Samuels: I'll stick to three questions as well. Firstly, am I right in my understanding that you are going to recognise a liability for the long term access? And I'm just wondering if that's going to affect your gearing level, and how does the credit rating agencies perceive that? Are they going to include it in their rating calculation?

And secondly, I'm just wondering if you need to incur some additional opex or

capex? I mean, you mentioned about the \$75 million to invest in regional Australia. But what about any new systems that you need to install for TowerCo?

And lastly, just wondering how should we be forecasting the growth outlook for TowerCo? I mean, you've got a tenancy ratio right now of 1.34x. What do you think it's going to – what do you think it's going to get to?

Andrew Penn: Thanks very much Roger. I might get Vicki and Guy to comment on how the leases are treated from both an accounting but also from a rating agency perspective. But it's an important point as you point out. And then maybe get Brendon to comment on the capex and opex and future sort of outlook for the towers business.

Vicki Brady: Thanks, Andy. Just talking about, so the long term agreement here, and commitment, as I mentioned earlier, the liability is an intra-group liability. So from an accounting point of view, will be eliminated on consolidations. So in terms of the consolidated balance sheet, we will report to market, you will not see that liability, but it is important. And that is why as we've worked through the use of proceeds, the 50% pay down of debt is important here to ensure it is credit neutral.

As you call out, the rating agencies will look at that, and they will do their own estimates and calculations based on the commitments made, and obviously the sale of a 49% interest, and some of them may well proportionately consolidate that commitment. So as I said, the pay down of 50% of the proceeds to pay down debt is important in terms of ensuring what we would hope is a broadly neutral outcome in terms of credit rating. Guy, I don't know if you want to add any further comments on that one?

Guy Wylie: No, I think we've briefed both agencies, they'll probably report on it today. And we've made sure we've paid enough debt to ensure that the credit metrics are really solid as a company, and we feel we've got a great balance.

Brendon Riley: And then Roger, just on to the capex and opex and tenancy ratios. So when we set up InfraCo Towers, we set up the structure in a pretty light and lean way. So we've added more opex this year, which has primarily been building out the organisational capability. And I think we've got a little bit more of that to do. I think, as our partners have come in and looked at the organisation and structure we have, I think they see it's still lean. And there's areas that we need to add some capability. And yes, obviously, in terms of us being able to drive more growth, we would look to increase capex, but manage the returns on that capex very tightly.

On the tenancy ratios, there's two sort of ways to think about this. On our existing towers, many of them were primarily built for only one tenant, and that was Telstra, and when we take into account Telstra reservations on existing towers, that doesn't leave a lot of space on a lot of those towers. So we were in the early 1.3s, we would certainly hope to get that up a little more, a few tenths of a point over time. But certainly for new towers, we're targeting a 1.55 tenancy ratio for all new towers that we build. And potentially if we can take

that higher, we will. Thanks.

Roger Samuels: Okay, thanks.

Nathan Burley: Thank you. The next question is from Darren Leung from Macquarie. Go ahead Darren.

Darren Leung: Good morning. Thanks, guys. I might stick with the three questions as well. So just following up on the tenancy ratios, any sort of restrictions or thoughts around the current deal structure and what it means to tenancy ratios? So you mentioned the 1.55, but conceptually, I was thinking, does that number sort of go up higher, just because you've got a more passive investor now, as opposed to, call it one of your peers? So that's first one.

Second one is, is there any comments you can provide around the KPIs or objectives of the Towers management team once that's been sort of formalised?

And then the third one is, are there any CGT implications that we need to think about? Just looking at the cash proceeds, it looks like there isn't any at the moment. But I suppose an extension of that is if you were to hypothetically sell an extra 25% stake, does that trigger a CGT event? Thanks.

Andrew Penn: I'll get Vicki to take the tax one. And then Brendon can comment further on the – although I think he's probably said as much as he's going to on the tenancy rates, just to prep you. And then talk about the management team and the focus and KPIs of the management team going forward.

Vicki Brady: Thanks, Andy. And Darren, thanks for your questions. Just in terms of this transaction, we're not anticipating any big tax consequences. So we have sufficient tax capital losses to offset against this transaction. So it's a very good deal in terms of those net proceeds that flow through. And obviously, we hold our 51% stake. It's certainly our intention to hold our 51% stake for the foreseeable future. And pretty important, given the 49% stake has obviously achieved a 28x multiple, and the importance of holding that 51% from a strategic point of view for us is important. So we haven't really gone into and looked at future tax consequences of any other sell down at this stage, because for the foreseeable future, we see ourselves holding the majority stake at 51%. I'll hand over to Brendon for the other ones.

Brendon Riley: Yeah, thanks Vicki. Yeah, Darren, look, on tenancy our starting objective is 1.55. And obviously, we will try and do better than that. What I would say is in the commercial arrangements, there's very, very strong incentives to drive more infrastructure sharing. So what you typically see as more tenants are added to a tower, then that results in increased discounts for the first tenant, or the second tenant, if it were to go to three tenants. So that's all in-built. So we've got the right mechanisms to drive that beyond 1.55.

In terms of the incentives and the objectives, Jon and the leadership team at InfraCo Towers will be incented in a long term arrangement on the results that InfraCo Towers delivers, aligned to the new agreement. And that's essentially based on the overall long term returns of the business. And then there will be a

number of focus areas – customer service, new solutions in market, the growth we're able to drive, and then how we're able to leverage new technology to drive speed and efficiency. So let me sort of pause there and go back to Nathan.

Nathan Burley: Thanks, Brendon. Our next question is from Eric Choi from Barrenjoey.

Eric Choi: Morning guys, and I wanted to say congrats as well on getting that transaction multiple. Just the first one, just head room to credit rating ratios. I think last time I looked versus S&P, you guys were sort of at 2.2x debt to EBITDA, and I think the target's like 2.5x. So just confirming, I guess, if you returned \$1.4 billion to shareholders, would you probably be within the upper end of that target band, but still within the current rating?

Second question, a bit of a weird one, maybe for Guy. Just on my back of the envelope, I'm estimating the new investors are probably getting a 7% equity IRR, once they sort of gear up the vehicle, and once they utilise some of their tax breaks. I'm just interested in what you think the return they're getting is? Obviously, this has implications on how these types of investors might value your other assets, such as in InfraCo Fixed.

And then maybe just the last question, apologies if you've answered this, maybe just on timing. Just some colour on why you didn't want to test the public process. I guess did you want to conduct the buyback sooner or later? Is there anything to read into in terms of the concurrent Optus process? That'd be great. Thanks very much.

Andrew Penn: Thanks very much, Eric. I'll take the last one on timing, and then go to Vicki and Guy perhaps on the S&P head room and the IRR question, albeit that may be a question for the Future Fund itself. But look, on the timing, and why did we choose to go early and go through the process that we have. I think, really, three simple reasons. Firstly, it's a compelling partner. If you'd look at the quality of the consortium – the Future Fund, the Commonwealth Superannuation Corporation, and Sunsuper in conjunction with Morrison, it's a pretty compelling partner for us to be dealing with and working with. So we're very attracted by that.

Secondly, as you pointed out, it's a very compelling price, 28x EBITDA multiple is pretty impressive, particularly when you look in global benchmarks. I can't see anything that's trading above that, where the vendor has retained control of the asset, and we've got in place the sort of arrangements that we have.

And thirdly, because the consortium, recognise the criticality of us continuing to preserve our network leadership, and actually build our network leadership through the intercompany arrangements that are in place. And that would have probably been more complicated to achieve through an auction process. And so they are simply the reasons. It wasn't to do with anything else or any other processes that are going on. It was a consortium that approached us with a pretty compelling proposition. And we've worked incredibly hard and our team have done an amazing job to get us to a position where we're now on the last day of the financial year and able to announce this well before what was

previously planned.

So that addresses the question on timing. But maybe if I hand to you, Vicki and Guy, just on the situation with the rating agencies and the investor IRR.

Vicki Brady: Yeah, thanks Eric for your question. I'll just make a couple of brief comments and then Guy will jump in. But as we said earlier, we have briefed the rating agencies. We would expect it to be broadly neutral, maybe slightly positive, from a rating point of view. But obviously, they'll form their own views. And as Guy said, likely report something out today. But Guy, I might hand over to you to jump in on the other piece.

Guy Wylie: Sure. So just back to that, we always target our own, for our Capital Management Framework, to get sub 2x. We think this deal actually is credit positive, it doesn't use up any capacity. And so we feel really good that we've got a, as we said, a really strong balance. We want to look after our shareholders, but we want to balance that with debt. And having a really strong rating really helps the confidence, we think, of infrastructure buyers, in terms of the entity that they're dealing with. So that's why that for us is really important.

And lastly on the returns of the consortium, that's not one where we're obviously, we're privy to talk about. We've obviously got our own methodologies of calculating, but not for us to comment. Definitely want to put to the consortium buying it.

Eric Choi: Thanks, guys.

Nathan Burley: The next question is from Fraser McLeish, from MST Marquee.

Fraser McLeish: Great, thanks. Yeah, well done on the transaction. Just a quick one for me, Andy. I mean, I guess a key thing is that the price you got here kind of highlights the value in your other InfraCo assets. Is it fair to say that the price and terms you've achieved from this transaction increases your enthusiasm for further InfraCo asset monetisations? Thanks.

Andrew Penn: Thanks very much Fraser. Look, I mean, I think if I step back, setting up InfraCo and our infrastructure assets as a separate independent business unit under Brendon's leadership was always a very integral part of our T22 strategy. I mean, we obviously could see at that time, that these types of assets would be attractive, and attractive to a different set of investors potentially than those that are investing in Telstra Corporation.

And you might recall, we set it up this way for three reasons; firstly, to give transparency of those assets. Secondly, to bring a harder commercial edge to how we operationalise them. And thirdly, to create optionality with a view to maximising shareholder value. And I think the strategy has been absolutely borne out by today's announcement. And it's obvious we're very pleased with the price, I think it reflects a very strategic and valuable nature of the assets.

And we're working through the process of the corporate restructure, which will

give us ultimately more flexibility and more optionality in relation to our fixed infrastructure assets as well, which are different in nature, and obviously different stakeholder considerations, as well.

So I won't say it sort of changed anything. But I think it's just endorsed and proven out that this is absolutely the right path, and the right strategy. But at the moment, our key focus on the rest of our infrastructure assets is to put in place the restructure to give a sort of effect, the legal effect to the overall structure that we're endeavouring to achieve, which will then give us the flexibility to take advantage of optionality that is ahead of us. And that includes consideration of monetisation of the fixed infrastructure part of our business as well. But we'll speak further about that, once we've got further on the restructure itself.

Fraser McLeish: Great, thanks.

Nathan Burley: Our next question is from Brian Han from Morningstar.

Brian Han: Andy. Vicki, you mentioned a few times that 28x was a very compelling multiple, compared to other minority towers deals globally. I'm just wondering, what's the comparable transaction multiple of the sample you were referring to Vicki?

Andrew Penn: Do you want to take that Vicki?

Vicki Brady: Well, looking broadly at multiples that have been achieved on transactions around the world, certainly anything up in the high 20s, there's been a couple in the 30s, have been majority or 100% sales. I think the median that we've seen on deals, tower transactions, has been around 20x. So selling a minority stake at 28x, that's the piece where we're really pleased, minority and no debt. So 28x from what we can see benchmarks really well against comparable transactions.

Brian Han: Great. And just a small question. Does this change the timetable for the scheme booklet in any way?

Andrew Penn: No, it doesn't, Brian. I mean, it's obviously contextually part of that broader restructure, but it's not interdependent on the broader restructure, that process is running in parallel.

Brian Han: Thanks, guys.

Nathan Burley: Thanks, Brian. Also I'd like to invite media now to ask questions as well. To register a question, press star one, to cancel, press star two. Operator, could you please open up the line to the first media question and introduce them?

Operator: Thank you. Our first question comes from Lucas Baird with the Australian Financial Review.

Lucas Baird: Hey, guys, just a couple from me. I saw a note from JP Morgan that said the sale could potentially allow for competitors to greater utilise your tower

infrastructure and enhance competition in regional areas. So I was just wondering how much thought was put into that, and whether you see that as a competitive risk moving forward?

And then a second one, is this sort of return to shareholders almost a bargaining chip for the split vote in October? Are you just sort of signalling to them, “Hey, this is what’s possible under that sort of restructure”, and does anything happen to your majority shareholding when you transfer the radio network assets and the spectrum assets to ServeCo in the end?

Andrew Penn: Thanks very much, Lucas. I mean, obviously, our network leadership is of paramount importance. Let me just make three points as to how we ensure that we continue to maintain that in this arrangement.

Firstly, remember, this is the passive infrastructure. So it is just literally the towers. And already in Australia, we have an open access regime for tower infrastructure, which in other words means that operators can co-locate their radio access equipment on each other’s towers, and that happens in Australia today. So there’s no real change there. All of the, as you said, all of the radio access equipment, all of our IP, all of the spectrum is in the ServeCo part of our overall business. And so that’s where a lot of our strategic competitive advantage will be retained.

The second way is, of course, that Telstra is an anchor customer, a key customer, and the largest customer by far of InfraCo Towers. And as a consequence, the arrangements in place recognise that.

And then thirdly, as I mentioned a little bit earlier, I mean, one of the attractions of working with this consortium led by the Future Fund is that they have a lot of empathy and understanding around the importance of that continued network leadership, and were willing to work with us to ensure that we preserve that in these arrangements. So it really is a win/win in that regard.

In relation to the second part of your question, no, we hadn’t seen the decision to return approximately 50% of this to shareholders as a bargaining chip, so to speak. I mean, I think in fairness we had already announced that we were going to monetise our towers. The only thing that’s changed is we’ve been able to accelerate that and do an incredibly attractive transaction for Telstra’s shareholders. But we would always have been, and our shareholders, I think, would have always been expecting us to return a proportion of that value to shareholders. And I think all this has done is just highlight the very significant value of these assets.

Nathan Burley: Thank you, Lucas. Our next question is from Zoe Samios from Sydney Morning Herald and The Age. Go ahead.

Zoe Samios: Morning guys, just two questions from me. Just on the decision to give 50% of the proceeds back to shareholders, and the \$75 million regional investment, I’m just wondering if you can talk me through the rationale to give away that particular amount to shareholders and to invest that much, if there’s any thinking behind that?

And then the second point, Andy, you just mentioned before how important these infrastructure assets are to the broader Telstra network, but I'm just wondering if you ever think there'll be a point where it doesn't make strategic sense to hold a majority stake in InfraCo Towers or whatever name it becomes in the next few weeks?

Andrew Penn: Yeah, thanks very much, Zoe. I mean, look, the 50% return to shareholders is really just applying the Capital Management Framework that we have, and weighing up the need to preserve balance sheet strength, the impact on gearing and our credit rating ratios, that Guy and Vicki talked through during the earlier discussion. So that's really what's included. I mean, we want to obviously, return as much as we can to shareholders, but then balance that with ensuring that we've got the right metrics and balance sheet strength going forward.

The \$75 million regional investment is really in recognition of a small number of the towers within our TowerCo business were established as part of the Mobile Blackspot Program. And we co-funded those with Federal and State Government. And what we wanted to do was to identify the proportion of those towers that was funded by third parties, and take that money and invest it in further extending regional and rural coverage. And we will be doing so by reflecting on the recommendations that are coming out of the RTIRC [Regional Telecommunications Independent Review Committee] review, which is being conducted at the moment. So that's where the \$75 million came from.

Nathan Burley: Great. Thank you. The next question is from David Swan from The Australian.

David Swan: Thank you guys. A few of my questions have been asked already. So I was just wondering if I could get some colour maybe on I guess just why this infrastructure is so valuable? It seems like such a moment in time with this deal getting done, and obviously Optus looking at something similar. Andy, if you could maybe speak to just, I guess, why this infrastructure is so valuable right now at this moment?

Andrew Penn: Yeah, no, look, thanks, David. And I'm sure Vicki can comment as well. But I think what we have seen over the last decade is with interest rates declining, and capital continuing to be growing into being available globally, it's looking for yield. And so that's what's driven up the value in part, because the availability of income-yielding asset-backed investments are rare. And so that's what's driven, I think, growing attraction of infrastructure assets globally.

And of course telecommunications, in the context of that is interesting because of just the growing demand for telecommunications, just as the world continues to accelerate its digital adoption, particularly through COVID. So I think investors can see there is long term real demand and growth in demand for telecommunications. And so therefore, the infrastructure that sits behind them is only going to become more and more important over time. And hence, that's what drives that dynamic.

And then, of course, if you look domestically in Australia, ours is clearly the

best network by a country mile, in fact, actually quite a bit more than a country mile last time I looked, in fact, probably 1 million square kilometres. And so that, therefore, makes it a particularly attractive investment for these types of investors.

Vicki, I don't know if you want to add any more to that?

Vicki Brady: I think you've covered it well. And I'd just add to it, Andy, in the context of telecommunications right now, obviously we're at the early stages of 5G, and just what it can, the capabilities it's got for the future potential there. So I think you put all of those pieces together as you well captured. Throw into the mix you've got Telstra as the party that's making long term commitments, obviously, A band rated, makes these assets, obviously, very, very attractive.

David Swan: Thanks, guys.

Nathan Burley: Thank you. We have no further questions. So I'm going to hand the call back over to you, Andy, if you want to make any closing comments.

Andrew Penn: Well, look, thanks very much Nathan. And thanks, everybody, for joining the call today. I appreciate your patience, appreciate your involvement and engagement, and also support and interest in the company.

It is a big day for us. As I said, we're on the closing out of the financial year, which is always big for us. That means we're exactly three quarters of the way through T22 program. As I've described before, on our T22 program, a lot of the initiatives really take an enormous amount of effort to put in place, and ultimately will deliver incredible benefits, I think, for our customers, for our shareholders, for our people.

And I'm really excited because we're starting to see some real proof points of that. And today, I think is absolutely one of those proof points, I think it's a tremendous transaction. It validates the decision to set up our infrastructure businesses, separate businesses. We get the benefit of retaining network leadership, we get the benefit of being able to recognise the value at 28x and then share that with our shareholders. And so we're super excited, super pleased. And we look forward to catching up again at results, where we'll continue to map out the great story that has been T22. And the great progress that we're making. So thank you.

Nathan Burley: Great, thank you.