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- Telstra Group Limited (ACN 650 620 303) – ASX: TLS

Telstra Full Year Results Transcript

In accordance with the Listing Rules, attached for release to the market by Telstra Group Limited is the transcript from Telstra Group Limited's Full Year Results Presentation on 13 August 2026.

Release of announcement authorised by:

Craig Emery
Group Company Secretary

Introduction

Nathan Burley: Good morning, and welcome to Telstra's Results Announcement for the year ending 30 June 2026. I'm Nathan Burley, Head of Investor Relations. I'm joining today from the lands of the Gadigal people, and on behalf of Telstra I acknowledge and pay my respects to the traditional custodians of country throughout Australia, and recognise the continued connection Australia's First Nations people have to land, waters and culture. We pay our respects to Elders past and present.

This morning we'll have presentations from our CEO, Vicki Brady, and our CFO, Michael Ackland. We will then open to questions from analysts, investors and the media. I will now hand over to Vicki.

Presentation from Vicki Brady

Vicki Brady: Thank you, Nathan, and good morning everyone, and thank you for joining us. I will make three comments reflecting on the year before turning to Telstra's overall performance and our outlook for the future. Michael will then cover the details of our financials.

First, the pace of change over the last 12 months has been extraordinary, from geopolitics to policy and technology, with AI and global investments in digital infrastructure accelerating dramatically. Second, network resilience was brought into sharp focus. We experienced a significant network outage in July, which reinforced how much Australians rely on connectivity, and we know that reliance will only grow.

Third, Australia is at a critical moment. We are laying the foundations for the next few decades of our economic growth, prosperity, and resilience. We must position ourselves to drive and participate in the value created by AI and the digital infrastructure boom, with sovereign capability and assets working in our national interest.

At the same time, Australians are concerned about the impact AI could have on jobs and society. As a country, how we build trust, skills, and inclusion will have a significant impact on whether it delivers benefits to all Australians. Telstra's Connected Future 30 Strategy positions us well to lead and adapt through this rapidly changing context. We remain committed to enabling Australia's digital future, and to working with government to ensure benefits and opportunities are shared widely.

Turning now to Telstra's performance for the year. FY26 was a strong year as we continued to deliver for customers and shareholders. We increased investment in our network and delivered ongoing earnings growth, reflecting momentum across our business and disciplined cost control and capital management.

You can see a summary of our 2026 results on this slide. Reported financial performance compared to the prior period included EBITDAaL up 3% to $8.2 billion, net profit after tax up 2.7% to $2.4 billion, and earnings per share up 5.3% to 19.9 cents. Our underlying results provide a clearer view of financial performance. Our underlying EBITDAaL was up 4% to $8.3 billion, cash EPS up 14% to 25.5 cents, and underlying return on invested capital up 0.5 percentage points to 9%.

Michael will take you through our financial performance in detail, including the drivers of our underlying EBITDA growth across Mobiles, Fixed Consumer and Small Business, InfraCo Fixed, and Amplitel. He will also detail the drivers of our cash earnings growth and positive operating leverage of 2 percentage points, which was in line with our Connected Future 30 targets.

On the back of cash earnings growth, the Board resolved to pay a final dividend of 10.5 cents per share, bringing the total dividend for the year to 21 cents per share and representing a 10.5% increase in the prior year on a cash basis. The final dividend is 90.5% franked, with a franked amount of 9.5 cents per share and an unfranked amount of 1 cent per share.

The final dividend is consistent with our Capital Management Framework and our aim to deliver a sustainable and growing dividend. Our dividend is supported by strong cash earnings and our Connected Future 30 ambition remains to deliver mid-single-digit growth in cash earnings.

In June this year, we completed our $1.25 billion on-market share buyback, and today we have announced a further on-market share buyback of up to $1 billion. This shifts our capital structure towards more debt and less equity, and has been enabled by earnings growth and the strength of our balance sheet.

Importantly, these buybacks are alongside increased CapEx and strategic investment. Buybacks allow us to lower our cost of capital and manage our source of funding more efficiently. This approach also supports earnings and dividends per share growth, and together with increased dividends, demonstrates the Board and management's confidence in our financial strength and outlook.

Turning to our Connected Future 30 Strategy. Over FY26, we laid important foundations for its delivery. There is a detailed scorecard in the appendix that shows our progress. I won't go through that now, but I will call out some highlights.

Customer engagement is becoming a stronger commercial advantage for Telstra. Over the last year, we've focused on making interactions easier, more personal, and more valuable for customers. We now have more customer support available across more hours and channels, including 24/7 fault support. We have continued to add new functionality to our AI-powered digital assistant and digital self-service tools, and more customers are choosing these tools and having their inquiry resolved. We also introduced generative AI-powered search across telstra.com and My Telstra app, as well as translation into 37 languages.

For customers who prefer to call us, our average call wait times have reduced to two minutes. We completed the migration of our consumer customers to the new digital stack and decommissioned the old system last month, creating a stronger foundation to innovate in how we serve customers.

For example, we rolled out Customer IQ in the year, bringing together millions of data points to better understand the experience of our customers. This is helping our team to proactively address issues and have better conversations with customers, supported by AI-powered tools to help them get up to speed quickly and improve complaints handling. These improvements are translating into better experiences and more customers choosing us and staying with us. In FY26, strategic NPS increased to positive 20, and episode NPS to positive 49, the highest year-end result since we started measuring NPS.

Under our Network as a Product layer, we continued to invest to deliver Australia's leading mobile network. Over the last five years, we have invested more than $9.5 billion in our mobile network nationally, with $3.8 billion of this in regional Australia.

In total, we have invested more than $19 billion in overall CapEx and spectrum in the last five years.

As our profit has grown, so too has our investment in our networks and digital infrastructure. In FY26, it was around $800 million more than it was in FY21. Over FY26 we upgraded nearly 1,200 mobile sites with 5G Advanced capability, and built more than 150 new mobile sites to continue to improve the experience on our mobile network.

We also upgraded more than 1,800 network sites with backup power. Every year, we experience around 165,000 mains power interruptions across our fixed and mobile sites, and due to our investments in backup power, around 97% of those had no impact on services to customers in FY26.

Overall, these improvements and others are translating into more consistent experiences for customers. In FY26, we lifted our network experience index by 1.6 points, which is our measure of network reliability and performance. We also brought new services and value to customers. We chose to invest in Satellite Messaging, and we recently expanded this to include Select Satellite Applications like maps, weather and internet messaging.

We continued to expand our product offerings for Enterprise customers across mobile and fixed, including Dynamic 5G to deliver tailored network performance, and our Adaptive Network Centre, which provides our customers greater visibility and control over their network. We also introduced Adaptive Collaboration to help mid-market customers integrate calling and collaboration tools.

We know we let our customers down in July, and we have taken full accountability for this. We have an initial understanding of the root cause of the outage, and have taken steps to address that. We are completing our investigation with an external expert, and we will be transparent about those findings and the actions we take as a result.

We take any disruption to our customers and Australians extremely seriously. When things do go wrong, we are committed to taking accountability, giving people clear information, and fixing issues as quickly as possible.

As connectivity becomes increasingly critical, we are also committed to continuing our work to further strengthen the resilience of our network and the services Australians rely on. This includes working with key government and enterprise customers to identify critical use cases, and ensure appropriate resilience, redundancy, and safeguards are in place.

Under digital infrastructure, we are seeing very strong demand signals for our digital infrastructure assets, and we are turning those into contracted value. Some of the world's largest cloud and AI companies have signed long term contracts across our Aura Network, subsea cable, or long-haul fibre assets, including Google, AWS, Firmus, and Microsoft as our foundational partner on our Aura Network.

We are over halfway through the build of our Aura Network, with more than 8,500 kilometres of fibre in the ground and six routes ready for service. We now expect the total strategic investment, including [for] ViaSat, to be around $1.8 billion through to FY28, compared with our previous estimate of around $1.6 billion. Michael will speak more to the ongoing management of the remaining build.

Our Aura Network sales pipeline has increased significantly over the last six months. This strengthens our confidence in the project's returns, including an expected mid-teens IRR and cash payback period of around nine years.

Over FY26, we expanded our subsea cable capacity through partnerships with Google and Keppel, strengthening our international capacity and our offering to customers. We also completed the construction of eight new satellite ground stations.

Turning to the enablers of our strategy. You can see the progress we are making against them in the appendix slide, and I will call out two highlights. The first is our investment in data and AI capability for our people, with more personalised learning and tools. Over FY26, we expanded our Data and AI Academy with different learning pathways based on role, and more than 15,000 of our people completed at least one course. We were also one of the first in Australia to roll out Microsoft's personalised learning agent; 86% of our people with a Copilot licence used it weekly or more over June, and we also added the ability to build agents.

The second highlight relates to our technology leadership. We have been extremely disciplined about scaling AI with strong foundations, including reusable architecture, governance, security, cost management, and simplifying our data ecosystem. Over FY26, we reduced our data platforms by another 15. We have 17 today, and we're aiming for three.

We also implemented a company-wide control plane that provides a central view of how AI is being used across the business to help us control costs, monitor adoption, optimise performance, manage risks, and ensure our AI is safe and compliant. We also have the ability to switch applications between AI models based on cost, speed, and reliability.

Looking ahead, we are focused on continuing to deliver value for our customers, communities, and shareholders, including through delivering on our Connected Future 30 targets around cash earnings growth, underlying ROIC, and operating leverage.

Over FY27, there are five things I would like to call out. One; we are accelerating our mobile transformation to further improve the experience on our network. This includes through increasing the density of our network and accelerating our rollout of

5G Standalone to provide an even more consistent experience, more capacity, and lower latency for AI applications. Investment in mobile networks will be critical to unlocking national benefits from AI, as this is the way most people will use it. We're also increasing our investment in security to help keep our customers safe, and taking the lessons from our outage in July to further inform our already increasing investment in network resilience.

Two; we will continue to evolve our Network as a Product offerings, and expand our mobile network APIs, enabling developers to integrate network capabilities into their applications. Together with progressing our products across Mobile and Fixed, this will bring us closer to our goal of creating more value from our networks for customers and sharing in that value by reinventing commercial models.

Three; we will continue to help our people build data and AI capability and transform our business and customer experience with AI. This includes through accelerating progress on our cross-company AI transformational initiatives like agentic customer care, expanding fraud detection and prevention, and improving fixed network planning and optimisation.

Four; we will focus on driving revenue from our digital infrastructure assets, including our Aura Network. We will also consider future needs to support Australia as an AI and digital innovation hub, and we are assessing a range of opportunities, including in subsea cable capacity. Our network and digital infrastructure leadership, built over decades, means we are uniquely positioned to deliver Australia's digital future, both under Connected Future 30 and beyond.

Five; we will also remain disciplined on costs, capital allocation, and creating shareholder value. As we continue to invest in network resilience and growth, we will maintain our focus on productivity, simplification, and positive operating leverage.

As I close, I want to acknowledge and thank our customers for their patience and understanding during our network outage in July. We don't take this for granted. I'd also like to thank the Telstra team for everything they have delivered in the year, and for the way they responded to the outage. It's never a situation we want to be in, but I want to recognise our team for the care and dedication shown, and for the discipline applied to our investigation. It will help us deliver a stronger and more resilient network for our customers. I'll now hand to Michael to take you through the results in detail.

Presentation from Michael Ackland

Michael Ackland: Thanks, Vicki. FY26 was a strong first year under Connected Future 30. We delivered growth in cash earnings, improved operating efficiency, and increased investments in our network and digital infrastructure. We also improved customer outcomes and delivered higher shareholder returns. Earnings per share increased 5% to19.9 cents, supported by growth in key products and our $1.25 billion share buyback program completed in the year, in addition to the $750 million in the previous year.

Across the Group, total income and operating costs declined. Our focus on improving operating leverage resulted in deliberate actions to continue optimising our Fixed

Enterprise and International portfolios with divestments and product exits during the year.

Our reported result included $55 million of net non-cash impairments, and M&A impacts that are excluded from the underlying results. Excluding these, underlying EBITDA after leases or underlying EBITDAaL increased 4% to $8.3 billion, in line with our guidance.

When we look at these results after BAU CapEx, instead of depreciation and amortisation, or D&A, we see that cash EPS grew strongly to 25.5 cents, up 14%. This is higher than EPS growth, as BAU CapEx was broadly flat while D&A grew, and we expect D&A to continue to grow.

As Vicki said, with stronger earnings, the Board announced [total] FY26 dividends of $0.21 per share, which are 90.5% franked. This is up 10.5% on a cash basis from last year and represents 82% of cash EPS.

Turning now to cash earnings, where we delivered a strong result. Cash EBIT grew 8% to $4.7 billion, with growth in key products, strong cost management and BAU CapEx broadly flat. Finance costs grew 5% with higher lease costs, and tax expense grew with a lower effective tax rate. With that, cash earnings grew 12% to $2.9 billion. We also invested a further $457 million in strategic investments, including the Aura Network.

Looking at our product EBITDA performance, we delivered growth across Mobile, Fixed C&SB, InfraCo Fixed, and Amplitel. Fixed Enterprise and International results were partly impacted by the decisions to divest businesses and rationalise products, as well as FX headwinds.

Other EBITDA also increased with favourable bond rate and FX movements, the absence of an equity loss which occurred in the prior period, and energy generation gains.

Note that these product results include an additional $92 million of redundancy costs this year, compared to last year as we continue to simplify our business.

Turning to our key products, starting with mobile, where we are continuing to win in market. Mobile service revenue grew 4.8% with growth across all products: postpaid, prepaid, and wholesale handheld, mobile broadband, and IoT. Our focus continues to be on providing the best products in market so that we can continue to deliver sustainable growth for our mobile business.

Consistent with this, we delivered average revenue per user or ARPU growth across all categories, brands, and segments. Growth in users and ARPU was stronger at the lower price points. Overall, handheld ARPU grew nearly 4%, and our users grew over 270,000 or 1.9%. Mobile EBITDA grew 3%, with service revenue growth partly offset by higher costs similar to the first half.

Most of the increase in costs this year was driven by higher than usual remediation, compensation, and redundancy rather than underlying operating cost growth. Satellite and network-related costs represent a step-up in capability, supporting improved performance and new functionality. We expect ARPU next year to benefit from price changes implemented in May 2026.

Turning to Fixed Consumer and Small Business. While this remains a highly competitive product and market growth is challenged, we grew EBITDA by 13.5% to $412 million through strong cost management. During the year, we continued to invest in our product proposition, including the launch of our Internet Only plans in November and our Smart Modem 4. More customers are on high-speed tier [plans] and fibre, however SIO losses continued, and this remains an ongoing focus. ARPU grew 2.6% through price rises and plan mix. However, [nbn] margin declined with price rises not enough to offset SIO losses and wholesale input cost increases.

In Fixed Enterprise, we have continued to make strong progress to reset this business and focus on core connectivity offerings. Our data and connectivity or DAC EBITDA declined to $48 million, with a reduction in cost not enough to offset the impact of ARPU compression and customer service rationalisation, largely in the first half. Pleasingly, we had a positive reception to our product refresh, which we continue to scale.

In Network Applications and Services or NAS, we delivered a broadly flat EBITDA of $151 million. This is despite lower revenue, which reflected deliberate decisions to focus on areas aligned to our strategy, divestments, and product exits. In addition, the ongoing decline in calling products continued.

Our reshaping of this business and focus on portfolio management is ongoing. The sale of Alliance Automation and MTData completed in FY26, and the sale of 75% of the Versent group is expected to close in the first half of FY27. Together, these businesses contributed $430 million of revenue in FY26.

In our International Wholesale and Enterprise business, we made significant progress to refocus on digital infrastructure. We announced the exit of selected NAS products, sold our Wholesale Voice business, and London Hosting Centre. In addition, after the 30th of June, we agreed to sell our Hong Kong property assets with an estimated USD$60 million gain, which will be excluded from our underlying result in FY27.

We have also reviewed our portfolio and recognised non-cash impairments, which are excluded from underlying EBITDA. In addition, we had a number of benefits called out on this slide, totalling $33 million this year. Normalising for these items both this year and last year, as well as FX, EBITDA declined 9%. This is due to the sale of the Wholesale Voice business, higher off-net product mix, partly offset by strong cost management.

We are continuing to position the business to benefit from the increased demand in digital infrastructure. During the year, we acquired capacity on several cable systems and have already on-sold over half of this capacity to customers, including hyperscalers. We are assessing further value-accretive investments, although new investments will take time to translate into earnings growth.

Turning to Digicel Pacific, and while EBITDA declined 10% to $293 million in Australian dollars, largely due to FX impacts on a normalised constant currency basis, EBITDA grew 4%. Despite operating challenges in the first half, the recovery in trading momentum late in the second half was pleasing.

Our Infrastructure business continues to grow, supported by rising demand in the AI era. For the year, InfraCo Fixed income grew 2.5% to $2.8 billion, with growth from nbn receipts in addition to copper asset sales, ground stations, and dark fibre. This was partly offset by lower commercial and recoverable works and internal revenue, reflecting efficiencies and lower power recharge.

Vicki also announced organisational changes to bring together our InfraCo, International and Field teams under Telstra Digital Infrastructure, to create one trusted partner for our domestic and international customers to access our infrastructure assets. Following these changes and higher associated redundancy cost, EBITDAaL grew 3.3% to $1.8 billion.

Amplitel, our Mobile Towers business, continued to benefit from ongoing demand, partly offset by MOCN-related impacts. EBITDAaL grew 3.9% to $323 million, and we expect ongoing growth from contractual escalations and non-mobile operator demand.

Turning now to strategic investments, including our terrestrial fibre Aura Network. Over recent months, momentum has continued to build, with a significant increase in the sales pipeline and more customer signings. This step up in customer activity reflects the progressive rollout of service-ready routes. As Vicki said, we do expect total strategic investment to FY28 of around $1.8 billion, up from $1.6 billion. This reflects sustained inflationary pressures as well as ongoing project-specific factors, including site and route conditions.

We remain disciplined in the delivery of this long-lived asset, and will continue to apply the learnings we've gained from successfully completing more than half the build to date. Importantly, our strong progress and growing [sales] pipeline reinforce our confidence in delivering our mid-teens IRR target.

Our focus on operating efficiency continues. The reduction in operating costs reflects portfolio simplification, productivity improvements, and continued cost discipline. Around half of the cost reduction this year was a result of divestments and product rationalisation in Enterprise and International. At the same time, we continue to deliver efficiencies across labour, technology, and other operating expenses. Our investments in technology are translating into efficiencies across customer service, retail, and support functions. As Vicki outlined, these initiatives are also helping improve customer outcomes.

As we further simplify the business and scale digital capabilities, we see ongoing opportunities to improve productivity and customer outcomes, as well as supporting earnings growth. Lower sales costs were also a result of lower volumes in Fixed C&SB. Fixed costs were $129 million lower, with lower labour costs despite higher redundancies and customer remediation and compensation costs. Together with other productivity initiatives, cash EBIT costs reduced by around $530 million, enabling us to deliver positive operating leverage despite inflationary pressures and increased network investment.

As Vicki said, stronger business performance enables us to invest in our future. As our profitability has grown, so too has our investment in networks and digital infrastructure, which was around $800 million higher in FY26 than it was in FY21.

We maintained our strong capital position and liquidity supported by growing cash flow. On an underlying basis, net debt remains stable at 1.9 times, despite the completion of our buyback as higher debt was offset by EBITDA growth. We reduced our average cost of debt to 4.8% and grew underlying return on invested capital to 9%.

Our balance sheet is strong, and we remain committed to an A-band credit rating. This has enabled our continued investment in our business as well as our buyback program, with the announcement today of a further up to $1 billion on-market share buyback.

Turning now to [FY27] guidance, the basis of which is shown on this slide. We expect continued underlying EBITDA[aL] growth to between $8.5 billion to $8.8 billion, BAU CapEx of $3.35 to $3.65 billion, with a lift in network investment, supporting leadership and ongoing growth. Our cash EBIT is expected to be between $4.75 billion and $4.95 billion, and strategic investment is expected to be between $0.2 and $0.3 billion.

In short, we have continued to deliver growth and value in FY26 in accordance with our strategy. With growth in core business cash flow, including 12% growth in cash earnings, portfolio and investment management where we continue to execute and invest in line with our strategy and disciplined capital management, we remain confident in our ability to benefit from the critical role of connectivity and our strategy to achieve our FY30 financial ambitions.

I would finally like to thank the Telstra team for their ongoing efforts in delivering value for our customers, the community, and our shareholders. I will now hand back to Nathan for Q&A. Thank you.

Investor and Analyst Q&A

Nathan Burley: Thanks, Michael. We will now start an investor and analyst Q&A. In addition to Vicki and Michael, we have a number of other Telstra Group Executives on the call today. We have Brad Whitcomb, Consumer; Oliver Camplin-Warner, Enterprise; Amanda Hutton, Business; Kim Krogh Andersen, Network Product and Technology; and Steven Worrall, CEO, Telstra Digital Infrastructure. We also ask the analysts to keep themselves to two questions. With that, we will go to the first question, and our first question is from Eric Choi. Go ahead, Eric.

Eric Choi: Thanks very much, Nathan, and thanks team in advance. My first question is just around probably the key short term investor debate, which is what if postpaid mobile growth slows? Part of this is just mathematical, given you had an extra month of effective price increases in FY26. I am just wondering if that debate maybe misses the forest for the trees. Because if I look at your guidance, you are guiding to $300 million of EBITDA growth in FY27, which is exactly the same as what you did in FY26. That suggests that you guys are pulling other levers, or other levers that are accelerating.

I just wanted to check; to me, that could be prepaid wholesale, maybe less cost step-ups. I don't know if that's right. If so, could you elaborate on those and add any other levers that I am missing?

Vicki Brady: Thanks, Eric. Do you want to give us your other question as well?

Eric Choi: Sure. Thanks, Vicki. My second question is a bit longer term. Probably the key long term debates are around satellites and mobile roaming. I wanted to ask about two specific scenarios that investors are contemplating. The first is if a satellite player picked up MSS spectrum and then became an MVNO for broader coverage. The second is if the ACCC declares that last 2% of population that lock-in doesn't cover. I'd love for you to talk through the offsets in these scenarios. Could you save on CapEx? Do you get new roaming revenues? Is satellite going to remain pretty limited by FY30? Ultimately, I'd like to understand when you guys wargame these scenarios, can you hold your implicit targets for low single-digit mobile service revenue growth and your 10% ROIC by FY30?

Vicki Brady: Okay. Wow, thanks, Eric. You've gone short term and longer term, so that's a good mix of two questions. Why don't I make a couple of comments on the short term, but Michael will have a lot more, I'm sure, colour to add there, and then we can come back, and I'll talk a bit more about the longer term question because there's a lot in that.

First on the short term, just as we look at entering, we're now into FY27, the first thing I'd say is we feel very confident in the Mobile business. Again, you can see the strength of the Mobile business in FY26. As we enter this year, we enter with good run rates on ARPUs. I think, of course, postpaid is a big driver in there, but we have a big portfolio of products and brands in our Mobile business. As you can see, we're seeing real strength across the board, with mobile service revenue growth at 4.8% for FY26, underpinned by ARPU growing across products and segments and obviously customer growth overall as well. I think on mobile headed into FY27, feeling positive about that.

There's obviously then outside of mobile, we've got our infrastructure business, which continues to deliver those consistent long term infrastructure related growth, particularly obviously we've got nbn contract in there with the CPI link, and then we're seeing good demand across the digital infrastructure business across the various assets there.

I'd also say operating leverage is a big focus for us. We do enter the year, we made some changes, they're always difficult changes to make during FY26, so we will have some flow-through benefits of those. They would be some of the things I'd call out. Michael, there's probably a whole lot more maybe worth calling out lever-wise for Eric.

Michael Ackland: Yeah, I mean, I think you covered most of them. Eric, I'd call out and reinforce Vicki's points on Mobile. We think about the Mobile business as a portfolio, and we're confident in our proposition, and we're confident in our ability to continue to grow mobile service revenue, as you point out, I think the Infrastructure business growth.

The other one I would call out is just to give a little bit more on cost. If you look at the 2026 result, we've called out higher than usual compensation and remediation costs that we called out at the half as well. We also spent around $206 million in FY26 in redundancy. If you look typically, our redundancy spend has generally been closer to $80 million to $100 million, and then we'll also see the benefits of that redundancy spend come through.

On the headwind side, though, I think International is probably worth calling out. We talked about $33 million of benefits that we saw in International, and normalising for those, the performance was different for International. As well as the sale of the Wholesale Voice business will play through into 2027. Then Other EBITDA was a bit higher than normalised due to the bond and FX revaluation impacts in there.

So I think there are a few puts and takes, but very confident around that $300 [million]. Think about Mobile as a portfolio overall, Infrastructure growth, and then we are confident on, when you look at FY26, confident on continuing operating leverage contributing to earnings growth in 2027.

Vicki Brady: Yeah. Thank you. Thanks, Michael. A good question. Broad ranging. Let me go to the longer term, Eric, and there is quite a lot in that one, and I think it really does reflect this moment in time where we are at, at the moment. You think about just how quickly technology is changing. You think about how quickly the market is changing. You spoke about satellite as one of those new technologies that is driving change. So let me address it in a couple of ways.

The first thing I would say, just on satellite itself, we obviously made the choice to invest in bringing satellite-to-mobile services to our customers back in June last year with the texting or messaging service, and more recently expanded that to Select Satellite Applications. Why did we do that? We could see the benefit for our customers when they are outside the mobile footprint, or as an extra layer of resilience. We are definitely seeing our customers enjoy that. Again, it is outside the footprint, or it is not dominating our use by any stretch. It is still relatively small in the scheme of our overall Mobile business.

I would say one of the things we are focused on, because this technology keeps moving, and today the technology is providing benefit to customers outside our footprint, but it is a little bit of a clunky experience. It is not a seamless one. There are other players in this space. The technology is moving fast. We are engaged with a lot of those players, and we are really focused on how do we make sure, obviously in light of we have got the universal outdoor mobile obligations, the proposed legislation from the government that obviously puts the obligation on the three mobile network operators to provide that outdoor service, which will mean outside our footprints we do need access to satellite to mobile technology.

We are really focused on, as this technology evolves, staying very close to the various players in it. We are focused on making sure we can find solutions and technology that makes that experience a seamless one for our customers. That is very much front of mind for us. I would say our view right now, we do still see it as complementary. It is playing that smaller role at the edges outside of our footprint. We think it's an important role, particularly in a country like Australia. We did make the choice to invest in bringing that to market, because we could see the propensity for our customers, particularly those in regional, rural and remote Australia, it could bring real benefit to them.

I think we'll see over time we'll need different layers of connectivity. We still use a lot of fibre. Mobile keeps getting better. I'm sure we'll keep seeing satellite getting better, and that'll just continue as demand and needs change, as the technology evolves.

On the broader point, you mentioned the ACCC. They've obviously announced they're going to conduct an inquiry, and it is a mobile services inquiry. It is a broad look at the mobile industry. Obviously, the discussion paper's not out yet with all the finer detail, but certainly from what we can see, it is going to be a broad look at the mobile industry, including looking at new technologies, and satellite does get mentioned in that context, and they are going to engage widely.

The other thing I would call out, and we, of course, have been thinking about this, it comes into how we think about our business over the long run and the different scenarios we run. The ACCC Chair did make a speech last week, and I think there were some really important elements in that speech. She spoke about that as a regulator needing to find that balance in terms of how regulation can make sure it can keep supporting good outcomes for consumers, but also, at the same time, give businesses and investors confidence to keep investing in long term infrastructure, and needing that confidence that that will be recognised and reasonable returns will be made on it.

I think that's an important point as we reflect on the mobile industry. You look at the Australian mobile industry over the last two decades, there has been a very competitive market and a lot of competition in infrastructure investment. What has that driven for our country? It's absolutely driven us as operators to invest, to innovate, to try and differentiate, whether it's on coverage, on speed, on value. And that's got great outcomes. I mean, our mobile networks in the country benchmark globally in the top few. It's meant Australians have got 3G, 4G, 5G amongst the first few countries in the world.

So we think it is timely that the ACCC inquiry will happen. That will be a broad look at the mobile industry. They will do that in a very structured framework. We think it's timely given the technology change, given what's going on, the various dynamics.

I would call out in that infrastructure-based competition in mobile, as I spoke about earlier, in the last five years as Telstra, we've invested $9.5 billion in our mobile network. $3.8 billion of that has been in regional [areas], and we've had every incentive to do that because that's part of how we differentiate and compete in the market. So I know, clearly, there's a lot of feedback. Regional Australia have high expectations, as do all of our customers, and that's why I do think it is timely that the ACCC conduct this inquiry.

To be clear, we do not support mandated domestic roaming. We support commercial roaming, but we believe mandated domestic roaming would take away that incentive for infrastructure-based investment and competition, and would likely lead to worse outcomes in regional Australia.

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

Entcho Raykovski: Thanks, Nathan. Morning, everyone. My first question is around Mobile. I am just curious where you think we are at the moment in the postpaid market cycle. What I mean by that is, do you think the postpaid market as a whole can continue to absorb higher prices from here? I mean, I am conscious that the other MNOs have also increased prices recently as well, but then obviously your Telstra-branded subs are down, I think, about 47,000 SIOs in 2H.

Then given that you are seeing growth in wholesale, can you perhaps talk about the margin differential between postpaid and wholesale, just to give us an idea of the wholesale growth that is required to offset any postpaid declines, given that portfolio approach that you have spoken about? That is my first question.

Then the second question around the Aura Network. The increase in Aura Network spend by $200 million, you have obviously spoken about confidence in returns, but just how do you think about the returns on that additional spend, and is there some compression given the inflationary pressures? I suppose just to be clear there, I don't know if it is just inflation or whether there is any expansion factored into that increase. Just as part of the answer to that question, if you are able to talk about how you think about the timing of free cash flow coming from the project. Thank you.

Vicki Brady: Great. Thanks, Entcho, for that. Just on mobile, I will make some comments, and then Michael may want to jump in as well. I think the thing I would say, overall, our focus in our Mobile business is always how do we keep investing, innovating, delivering great outcomes and experiences and value for our customers. That goes to the network, it goes to how customers engage with us, whether it is in store or online, over the phone, whether it is our brand and our propositions.

So look, I think overall the thing we keep seeing Mobile more broadly, obviously the utility and the reliance on that continues to grow. You have seen, yes, we have recently put pricing changes through. Obviously, that's important when we are continuing to invest to be able to deliver for our customers. And as you said, we do look at a portfolio of our business. Michael, I don't know if you want to add more comments around Mobile and the portfolio?

Michael Ackland: Yes. No, thanks Vicki, and thanks Entcho. I would probably point to a couple of things, Entcho. One is, I think the trend that you point out, it is not recent. We have seen that trend with the growth being at the lower end of the market for some time, and we are seeing considerable growth in our prepaid business off the back of that, as well as in our wholesale and as well as in our Boost and Belong business.

But we still remain very confident in the proposition that we are offering in postpaid. And we continue to invest in that proposition, as we have with offering satellite, as we have with the benefits with the loyalty program across our branded offerings with the store network and our investments in our digital channels, and the improvements there.

However, we are seeing strong growth in wholesale. But that is on price and volume, and you see the wholesale ARPU growth 8.8% this year compared to our postpaid handheld ARPU growth of 3.8%. So we are continuing to manage that portfolio.

I think it also points to our vision around NaaP. And NaaP, one of our objectives there is to provide reasons, more reasons and other reasons and different reasons around network experience for customers to choose us, and to choose to buy plans that give them better and different experiences for their needs. That is a core to our CF30 Strategy.

So absolutely, we recognise the trend. We are seeing ARPU growth at the bottom end that is going quicker than at the top end. We are looking at part of our CF30 Strategy, and NaaP is about helping to create that differentiation, a new differentiation into the future.

Vicki Brady: Thanks, Michael. Then Entcho, your question on the Aura Network. As you call out, we have spoken today about that additional $200 million, up to $200 million to complete the Aura Network. Just to be clear, we did announce this, it was back in February 2022, we announced that we would embark on the Aura build. Through it, we have learnt a lot. Through that, we have had to be disciplined and make choices and trade-offs. There are no additional routes, just to be clear, inside that. It is inside the scope of the build we announced back in February 2022.

It is fair to say, yes, inflationary pressures have been there higher than we would have anticipated. We have obviously talked very openly about the ability to have to navigate a lot of approval processes and dynamics when you are rolling out a build of this scale; almost 14,000 kilometres of fibre getting laid across the country. We have taken those lessons. The team have managed it in a very disciplined way.

But as we have got to just over the halfway mark, it was the right point to say, okay, we think it is going to take a little bit extra to complete that build. But importantly, we have seen, particularly the last six months, it is a significant lift in terms of our sales pipeline and the level of demand we are seeing. So we remain very confident in those mid-teens IRRs and around the nine-year payback.

The incremental $200 [million] free cash flow will depend on deals. I don’t know, Michael, if there is anything more to add on that?

Michael Ackland: No, not really. I think what we have seen, Entcho, is that significant uplift in pipeline is more than enough to deliver the returns that we need on the additional CapEx. As Vicki said, the cash flow on these can be very lumpy. The free cash flow can be very lumpy on these deals, as you probably understand, in the way they work. Much like subsea cable, many of these deals will involve a one-time charge in the first few years of ready-for-service that would represent a reasonable proportion of the total contract value. So the cash flow could be a little bit lumpy as it comes in, and we will manage that as those deals get signed and we can disclose them.

Entcho Raykovski: Okay, great. Thank you.

Nathan Burley: Thanks, Entcho. We will go to our next question, which is from Siraj Ahmed from Citi.

Siraj Ahmed: Hi, thanks. I have two questions as well. This first one, just on Mobile, just following up. Have you actually seen the churn trends stabilise in FY27? I guess, second half not surprising given the price increase. And second part to that, a bit surprised that postpaid ARPU is actually down half-on-half. Can you elaborate on that and how you are thinking about ARPU growth next year in 2027?

Second part, Vicki, just on that whole, on the LEO Sat and I guess the threat from roaming, would you be able to split your – I mean, you have an ARPU premium over your competitors. Can you tell us if you can actually split that premium into how you think about network coverage versus quality versus brand or trust? Would network coverage be the key part? Is your view that network coverage part could compress over time, but you can potentially expand the other parts? Thanks.

Vicki Brady: Thank you. Well, I might take the second question first, and then I will hand over to Michael, and I presume Brad as well might be good to contribute into the discussion too around what we are seeing in mobile, particularly churn, ARPU, various things.

Yes, just in terms of the, I know it is a big topic of conversation, obviously, LEO Satellite. You're right, I mean, we are the premium provider in the market in terms of mobile, and have been over an extended period of time. Of course, we do monitor that. We understand our customer needs. We are always looking at making sure we are investing and delivering to be able to really demonstrate the value. Obviously, more customers continue to choose us and stay with us, so getting that balance right is obviously critical alongside our portfolio.

So we have the Telstra brand. We then have brands like Boost and Belong, and we have our MVNO. We do have a portfolio of brands, because we know the premium Telstra experience may not be for everyone, and so to reach the parts of the market, we definitely need that. We also have different products, postpaid, prepaid, even under our branded portfolio show up differently.

In terms of what drives that premium in our customers' minds, network plays a part. Absolutely, those other things you mentioned, brand, trust, security. So the level of investment we put into our networks in keeping our customers safe and the protections we put in around scams and fraud. There is a bunch of things that play into that.

Michael referenced our Network as a Product layer of our strategy. That's a really important one, because we know that customers are depending more and more on their network and their connectivity and their mobile services. So how we keep making sure is we help create more value for them, we are also sharing in that through our reinvention of commercial models. That is an important element. So coverage plays a part. There are a lot of other elements, and that is our constant focus to make sure we are really delivering value.

Why don't I hand to Michael first on mobile, and then we will get Brad to add in.

Michael Ackland: Yes. Why don't I comment quickly on ARPU, because I think, and Brad will as well, but just to your specific question, in the second half, we did see more of those higher than usual remediation and compensation costs go through as revenue reversals. So refunds in the second half, and that did impact ARPU. Without that, I think ARPU was broadly consistent as we went through, and then we should see the ARPU lift as we go into FY27 from the May 2026 price changes.

Maybe Brad, I will hand to you to talk more broadly.

Brad Whitcomb: Yes. Thanks, Michael, and maybe just to build on that a little bit. We talked about the impact of the price changes that we had. Just as a reminder, this year we had two price changes. We had one that we announced back in May of 2025, and that came into effect in July [2025]. Then we had a second one, which we announced in March of 2026. That one did not come into effect until May [2026]. So in terms of an ARPU uplift, it is just a very small piece of the year that that would be into effect.

Just kind of referring back to the earlier question around the SIOs. Just as a reminder, when we put through a price change like that, we communicate to our customers. That then puts us in a period where we are dual quoting. We are establishing the price in market. While we have gotten very good at that, it does limit our ability to trade and put offers on a price that is about to change in the market. So that does tend to suppress our acquisition a bit.

Also, whenever we communicate about price, that gives customers an opportunity to reappraise and decide whether they want to stay with Telstra, whether they want to stay on the plan that they are on, or move to one of our sub-brands or indeed move someplace altogether. So that would have an impact on our SIOs.

We look at all of that, and we factor that into a yield, and we are very pleased with the yield. In fact, the yield on price changes over the last two or three times we have done them has been improving. So less spend down, and more of that ARPU is actually dropping back into the business.

If I think about our confidence going forward, the first place I would look is customer sentiment and how they are feeling about us. As Vicki mentioned, we have seen our episode NPS increase by two points. We are now at a record high. We have also seen our strategic NPS increase by [one point]as well, and that is at a new record. Our customers are telling us that they are happier than they have ever been with us.

We do have more mobile customers than we have ever had in the retail business, if we look across pre and post and across our various brands, and we do look at this as a portfolio. As both Vicki and Michael have said, that portfolio is becoming more and more important when we think about NaaP. It’s not just which brand, it’s not just which product, but it’s also the attributes that are associated with each of those, and we are starting to tile that out, I think, more and more effectively.

So we have seen an increase in ARPU. We have seen an increase in the number of customers. The customers have never been happier. I think to me, that speaks to our overall value proposition. Probably the hallmark of that is being served by an absolutely brilliant professional frontline staff, which has got an eye-watering employee engagement score of plus 86. From my experience, there is nothing better than being served by an agent who truly loves what they do and really cares about you.

Then that is underpinned by our ongoing investments in our network, world-class cybersecurity, the Satellite Messaging, which now includes apps. And I know from personal experience, being able to send a photo on WhatsApp on the Larapinta Trail in the middle of nowhere is actually quite cool. If you haven't had a chance to check it out, I would give that a try.

Our channels have never been stronger, from our brilliant and beautiful retail stores to our very intuitive digital experiences. Then, of course, the customer experience you get when you call us, which in many cases now you can get access 24/7, which I think is an industry first in Australia.

So we are continuing to grow that value proposition. That is why we have confidence in the overall Mobile business, and I would expect that that ARPU would continue to rise as the price changes that we put through in May flow through the business.

Siraj Ahmed: Thank you.

Nathan Burley: Excellent. We will go to our next question from Lucy Huang from UBS. Lucy.

Lucy Huang: Thanks, Vicki, Mike, and team. I've got two questions as well. So just on the Mobile Business, I was just wondering if you guys can flesh out the Enterprise landscape a bit more. In the past, it's been a bit of a drag on ARPU. Just wondering whether there's some slight impact this time. Given the competitive landscape, just any colour on how some of the SIOs trends are tracking in Enterprise as well. Should I ask my second question or just –

Vicki Brady: Yes, if you ask both, Lucy, that would be great.

Lucy Huang: Okay, wonderful. Then just my second question is on the slightly higher BAU CapEx side. I think on the call you mentioned the next focus is the rollout of 5G Standalone. Just wondering if you guys can give us some ideas as to what better capability will 5G Standalone provide for Telstra, and how could this impact the ARPU upside? What can you truly monetise out of 5G Standalone? Thanks.

Vicki Brady: Excellent. Thanks, Lucy. I am going to get a couple more of the team up, actually. I think on the Mobile business, that focus around Enterprise and also I think mid-market is important in that context, what is happening in the Enterprise and our mid-market space. So I might get Oliver and Amanda up. Then on the CapEx side, 5G Standalone, I am going to get Kim to come up as well and just talk about what that capability delivers, how that helps moves us forward, and obviously sits under our broader strategy.

Ollie, why don't I hand to you first?

Oliver Camplin-Warner: Yes, thank you, Vicki. I am pleased to share that the Mobile business in Enterprise grew in the year. We are very pleased with that outcome. As you said, historically Enterprise hasn't always been set up for win. We've been distracted, too many priorities, but we've placed a number of changes. Commercial guardrails, absolute focus, extra discipline in a few areas and we're now starting to see that shine through. So we're really pleased with the mobile growth.

Also, if I may Vicki, talk about Enterprise more broadly, we've with Enterprise reset investing into a number of challenges. We've reset the cost base. We've made a number of divestments. We've seen huge change across the board. But the way I think about that is we're not at the finish by any stretch of the imagination. We're just at the start line in some ways. All the changes that we've made so far, this is all about setting us up for the next chapter and really growing moving forward. So as pleased as I am with the mobile performance, I'm excited about what's ahead. We've launched new product to market.

Vicki and Michael spoke about Adaptive Network Centre on the fixed side. We've spoken a little about satellite-to-mobile. We've got a similar offering in Enterprise. Some of our customers who have remote workforces are loving that capability now, where their employees can connect in areas where there may not be a mobile network. So we've had fantastic response on the mobile side, and we can't wait to get the next generation out there as well and be able to offer critical apps for those individuals in critical times.

Some of the wins, we're winning in market as well, maybe just share a couple of quick customer wins. I love winning. I thought I'd share Bendigo Bank is one name that comes to mind. Bendigo is going through an incredible digital transformation at the moment. I'm absolutely thrilled that they've chosen Telstra to be their strategic connectivity partner, so very excited to go on that journey together.

Then mobile specifically, one that comes to mind will be Salesforce where they've decided to award their mobile business to us, that has not been with Telstra historically. We're in the process of migrating those services to Telstra as we speak.

I'm really pleased with the mobile performance last year. But as with the whole of the business, we're only just getting started. There's more ahead and we're looking forward to the next chapter and I think that opportunity is there for the taking.

Vicki Brady: Thanks Ollie. Why don't we get Amanda? I think it's important, I know we talk about Enterprise a lot. But the mid-market side of our business also is an important and dynamic part of the market. Amanda do you just want to touch on the dynamics there?

Amanda Hutton: Yes sure. I might just also start with small business, which we've had a really strong year and very pleased with the performance in small business. Many of the dynamics that play out in that segment mirror the commentary that Brad made a little bit earlier. But we have seen also really strong performance in our mid-market customer base. These are customers who typically have employees at about 500 or less. We started to bring some of the dynamics and focus that we have in small business, including prices rises into that area which we haven't typically done. Really targeting very specific propositions to that part of our customer base, and seeing quite good responses already from customers.

We've also spent in FY26 a large focus on bringing together those propositions and products specific to that segment. We're also seeing really positive momentum and feedback, particular in our DAC side of our business. So some of the features that we've brought to market, particularly through our Adaptive Network Centre, so the ability for customers to change their bandwidth on demand, or observe how their products are performing are really important features. Imagine one of our key customers that runs large scale sporting events and they need high-quality bandwidth. They only need it a few times of the year, but when they do, they want it to work superbly. They can now observe that and they can dial that up and down.

What's most exciting, typically these sort of products and features were really those in the enterprise domain, highly customised. But now we've been able to bring that down and start to scale that more into that mass medium and larger business customer segment. So that's super exciting in our mid-market space, so lots of exciting things especially to come.

Vicki Brady: Thanks Amanda, appreciate that. Kim, do you want to just touch on 5G Standalone, those capabilities what it means for customers?

Kim Krogh Andersen: Yes thank you Vicki, thank you Lucy. I think it's always great when we get network questions on these calls. This one is a special one because the standalone, the 5G Standalone, that is such a critical part of our strategy. Our NaaP strategy is really about making it more tangible, what is premium, what is not premium, and also ensure that we can move away from best effort, to actually have network experiences that is fit for specific use cases.

That's exactly what standalone do, we get that opportunity to service, define network for specific use cases. You can imagine that you already have the Dynamic 5G, our Enterprise customers that have specific needs. But it could also be the premium branded experience, versus the more discounted solutions. We can make it very clear what you get and which connectivity you need for the specific use you have. That's the capability of the 5G Standalone.

It is a broader path to modernisation doing the network and our overall network leadership, to ensure you can have the standalone experience and you can do that separation of the experience. You both need the radio to be modernised and you also need the call to be modernised.

So one of the things Vicki talked about was our overall network modernisation, where we actually take the 5G basebands we were introducing back in 2019, and upgrade that to the newest baseband, and then at the same time transform our core, so we can ensure all our customers, they can get to standalone experiences. That is critical now. But it's even more critical in the future, where the use case become more sophisticated. AI become more sophisticated, not only being Generative AI but also Agentic AI. That's where you need to have that ability to ensure the connectivity fit to the use case.

We already now see that our uplink for instance, grow more than our downlink. That's just one example of the change in demand going forward. The modernisation is a critical part of that, because they react to utilise the spectrum in a different way. The FDD spectrum we have plus the massive MIMO we are putting in, plus the standalone, that's exactly what's set us up not only to be a leader today, but also to be a leader in the future, and ensure we can create these differentiated network experiences that underpin the premium experience, and also our branded proposition in market.

So standalone is really critical for our strategy, and also one of the promises that have been there a long time for 5G that's finally getting to market now. We are super keen on bringing that to our customers in all our segments. So 5G Standalone is here to really underpin our strategy.

Vicki Brady: Thanks Kim.

Nathan Brady: Thanks Kim. We will go to our next question which is from Liam Robertson from Jarden. Go ahead Liam.

Liam Robertson: Thanks Nathan. Morning too from me, unfortunately not much variety; mobile and strategic investments. Just firstly on mobile, hoping to pin you down on this one. I'm comfortable with the commentary around the multi-brand proposition holding up. I just want to get a sense of if you're concerned around the level of decline across all postpaid? Is that sustainable moving forward? Particularly the second half number, down 47,000 for the second half?

Then secondly on strategic investments, appreciate the colour on elevated costs, the elevated timings and sales do sound promising. But maybe one for you Michael, when can we actually expect to see that come through the P&L or some form of upfront cash realised? I'm just conscious that to deliver that mid-teens IRR, probably needs to be sooner rather than later. Thanks.

Vicki Brady: Okay Michael, we might go to you first on Aura if you're comfortable? Then just in terms of mobile and that postpaid performance, I wonder whether Brad might want to comment on the retail side?

Michael Ackland: Sure.

Vicki Brady: That feels like that might be a useful way to go. Michael.

Michael Ackland: Thanks Liam. We've got a number of routes that are now ready for service. That was the first milestone before we start collecting cash, is that we had to have routes ready for service, so we're in a good place there. Then as we sign customers, we should see cash come in over the next couple of years. The P&L impact is more likely to be a smaller impact over a longer period of time. But we'll be able to talk to more of that over time Liam, in terms of when we expect that cash. But we will do that as we announce very specific signings and projects, rather than being able to forecast that exactly right now. I hope that helps.

Vicki Brady: Yes, thank you. After Brad's spoken, if Steven wants to add a little bit more colour on Aura and where we're at, it might be useful as well.

Michael Ackland: Yes.

Vicki Brady: Brad we'll go to you first.

Brad Whitcomb: On the question of sales, we do look at this as an overall portfolio. So that is both post and pre and looking across the brand. I don't look at that in isolation when we're making decisions around pricing. If you look at it overall, we did have on a branded perspective in the second half as you pointed out, for postpaid we did have a reduction in the number of subscribers. Belong actually grew, in fact Belong grew both halves, so we're very pleased with that.

Again, on the back of two price rises within the 12-month period of time, the fact that we have that price establishment period that came in between March and May, then a generally quiet period. We had end of financial year sale, but that's about the only big trading activity in the year.

I'm comfortable and confident with where we sit right now. I think what we've done to add to our overall value proposition, provided we continue to create more and more value for our customers – and it does start at that postpaid branded, that's what we look at to be able to offer the maximum value and then we tier down from that.

The other thing I'd say is if you look at the increase, whether it's the prepaid ARPU or the Belong ARPU, both of those have in this year rose faster than the overall postpaid ARPUs. The gap between those two offerings or three offerings in the market is closing, and that was part of our strategy this year as well.

Vicki Brady: Thanks Brad. Steven, do you want to add a little bit on Aura? I know we've talked about the sales pipeline confidence and significant shift there over the six months, maybe a little bit more.

Steven Worrall: I would be happy to. Liam, thanks for the question. It connects with the question that Entcho asked earlier as well. There's nothing more to say other than what Michael and Vicki have said, in relation to the free cashflow projections that we've made for Aura, and what we've reconfirmed today in terms of the mid-teens IRR [target]. But I would love to add a little extra colour in terms of what we're seeing.

It's quite remarkable when you think about the beginning of the Aura program was 2022. It was November 30, 2022 as you may recall when ChatGPT was first launched. So that's only four years ago, but in the tech world, that's a generation. So what's changed? Indeed the profile of the demand that we were looking at back then when we put that business case together has changed dramatically to the one we see today.

As both Michael and Vicki have mentioned, that demand profile is substantially larger. It's also different in terms of composition, because the profile of data centre demand is changing literally in front of our eyes. Back when I was at Microsoft, the sorts of contracts that you would have seen continue. But of course, we're also announcing a new type of demand for what I'll describe as an AI factory, a gigawatt level type demand which is a step change in the data centre capacity that the country is going to need to contemplate. Of course, we know that's an issue for governments and communities around the country. But it also connects with the Google transaction that we completed earlier this year, that we think was highly consequential.

In that Google in acquiring and now becoming our single largest client on Aura. Then in turn, us acquiring capacity on their subsea network, points to the future of where you're going to see Australia play, I think, an increasingly important role in the information flows that we see around the southern hemisphere.

Of course it highlights just how important international route diversity is becoming, not just for the future of AI inferencing and of course low latency cloud delivery, but of course in relation to what sovereign digital infrastructure might look like in future. So we think as the government has pointed to recently, we think there's an important role for use to play in the delivery of that sovereign digital infrastructure. As those data centre projects that we see all around us come online, you'll start to see the revenue flows that will follow from Aura. Thank you again Liam.

Nathan Burley: Thank you. We'll go to our next question which is from Ware Kuo from Bank of America.

Ware Kuo: Thanks. Morning, just two questions from me. One actually related to the previous question on InfraCo. I think outside of the new fibre builds, to what extent is there an opportunity to reap contracts on the existing InfraCo assets? Given that we are seeing growing AI demand, more distributed workload. I think the question is could you recontract it for higher pricing and what role do you think some of those assets play in this environment?

Secondly, just on capital allocation. With cashflow visibility effectively, you've got strong line of sight to FY30. Is there anything preventing the adoption of maybe more explicit, let's say a CF linked distribution policy that might give a little bit more visibility for the market to mull out distributions over time? Thanks.

Vicki Brady: Thanks Ware. Two very good questions. On InfraCo, why don't I make some brief comments, and I'll get Steven to jump in again, then we can go to Michael on your second question. Just on the first one, I think it's a really great point. Over a number of years, we've talked a lot about the broad array of assets we have in our infrastructure business.

As Steven just referenced, the world of AI is moving fast. For a lot of years there's been discussion about needing to put things closer out to where customers are out on the edge of the network. It's something we continue to monitor, engage in and understand. It is fast moving. We've seen some of our peers around the world move and invest quite a lot of CapEx early, that probably hasn't been in hindsight, the right move.

So it is something we keep a close watch on, and we do engage with many partners and customers to make sure we're set up to be able to move, if the time is right and our assets line up to be able to deliver that. But Steven, you've been doing lots of work with the team since you joined us almost a year ago now.

Steven Worrall: Indeed, I think coming up to the anniversary later this month Vicki. Two thoughts there I think I'd like to share. The first is FY26 was an important year in many ways. Not the least of which being, that we in Telstra Digital Infrastructure now have our single largest client as nbn. What that represents I think is a turning point in how we continue to think about externalising the assets that we have within the Telstra Group. In part, that was why we created Telstra Digital Infrastructure, so that we could house in the one entity the international assets we have.

But of course, the broad range of assets we have here domestically. Those assets we talk a lot about fibre, but they of course include many other categories in the digital infrastructure world, data centres for arguments sake. Physical footprints actually are becoming important as you think about our Edge capability, our towers, our satellite. There's a broad range of assets in the portfolio that we are increasingly thinking about how to best arrange those, to meet the changing profile of the demand that I mentioned earlier.

Which brings me to that second thought, there is so much change. Our clients, many of them from offshore looking to establish a footprint and a presence here in the region. We're continuing to work very closely with them in regards to how best to meet their changing demands. The data flows that I referenced earlier, are subject to the use of the AI services that will ultimately be delivered. This is the work in progress. As I mentioned, we're really four years into what is going to be a profound shift in the way in which technology is used around the world.

So many of these questions are still being answered. But to the heart of your question, we think there's great opportunity for us to arrange the assets we have, to continue to release value. We think importantly for us, to play the crucial that we believe we play here, which is to deliver sovereign infrastructure. That will allow economic value to be delivered here and retained here in Australia, as we work with partners across the entirety of the digital supply chain.

Vicki Brady: Thanks Steven. Michael are you happy to take the second question?

Michael Ackland: Yes sure. On capital allocation and is there anything stopping us with doing a cashflow link distribution, I would refer us back to our capital management framework. Which is we're committed to the balance sheet settings, that is we think that's important. We're committed to discipline on BAU CapEx, making sure that we're continuing to support business growth and growing cash flows and then sustainable and growing dividends. I think where that ability to have a sustainable dividend that continues to grow and to provide that consistency is a very important part of our Capital Management Framework. We'll be disciplined on portfolio management and strategic investment, and we're using some balance sheet capacity for returns.

I think when we think about that Capital Management Framework, I think we are focused on retaining that flexibility and our balance sheet and strength, and earnings growth does give us that, to both invest and to return value to shareholders and to go after opportunities. Our payout on our DPS was an 82% payout on cash EPS. We're not targeting a payout ratio at this point, but we remain committed to our Capital Management Framework. Thank you.

Nathan Burley: Excellent. We'll go to the next question which is from Andrew Gillies from Macquarie. Andrew.

Andrew Gillies: Thanks guys for the opportunity. Two from me. First one on cost, we've seen quite a few businesses report higher than expected token costs. You've talked in the past to the ability to achieve operating leverage from AI, and you've flagged modular architectures this morning. Can you provide a little bit more detail on the investment you're making in technology, and some of the drivers that continue your confidence in your strong cost performance in this landscape?

Then the second one's just around Fixed C&SB. We continue to be a pretty competitive landscape and invest in some different pricing strategies from some of your competitors. How do you think about that business and how it's positioned over the next 12 to 36 months? Thank you.

Vicki Brady: Thanks Andrew. Two great questions going different directions, so that's good. On the second one I'll get Brad up to talk a little bit about Fixed Consumer and Small Business, how he sees us competitively positioned. Before that though, I might grab Kim as well for this one. It's a really important one.

Andrew, I know there's a lot of conversations around AI, will the cost outweigh the benefits, and token cost is obviously in the forefront of that discussion. The one thing that I think has set us up incredibly well is the very disciplined and structured way our teams have approached how we would modernise and simplify our technology, and also the architecture we put around it. Making sure that it is decoupled, making sure we have flexibility, we don't get locked in. Kim will be able to give you a good overview.

But the thing I would say overarching all of this, we're in a position right now where we're not facing blowout in token costs. The teams have done an excellent job in terms of enterprise agreements, in terms of how we consume. For example, under Copilot, how we use AI embedded in some of our SaaS applications we use. Then finally we have our own Cloud environment which is generating a lot of the tokens. Again, not only have we not seen costs rise in FY26, we've seen those overall cloud costs actually come down 7%, whilst we've grown tokens.

So I think I'm very grateful for the position we're in. I don't say that it's a given, it's something we've got to keep managing and managing very tightly and be very clear, which we are on the commercial value we're delivering from AI use cases. I feel confident about where we are and where we're headed. Kim, you've been the architect and the driver behind a lot of this. Do you want to talk a little bit about the approach?

Kim Krogh Andersen: First of all, I'm super proud of the team that are tirelessly working on the technology leadership and also network leadership. It is really great to see the result today and see how important that technology leadership is for our overall results. Also to see the impact of it when my peers, the segment leaders here talk about both the experience, but also efficiency in their challenge.

But this is difficult because when you are technology leader, a digital leader and also AI first company, there is a risk of costs blowing out. We have managed to create a foundation to Vicki's point where that is not happening. But that's not something that come overnight, that's not something you do overnight.

Some of you have been with us for many years, and you recall back to T22 which was really about simplification, digitisation. We took that with us into T25 where we doubled down with API first decoupled architecture, and all these things is the foundation we are building on today. We have the ability now if we have partners or vendors that don't treat us with the respect, commercial respect we believe we deserve, then we can actually engineer them out. If you don't get the right prices on hyperscalers we can move traffic across. We also have developed a FinOps capability that ensure we are efficient in the way we code, in the way we use AI, et cetera. So all these things is fundamental for where we are today.

One example of that to Vicki's point is really our cloud infrastructure, that has decreased 70% from a cost point of view this year. That's despite our application use have increased, our compute have increased more than 17%, our data storage more than 25%, and the token have increased more than 275%. So we today actually use approximately 15 billion tokens a day. That's a big number. But the good thing here is we do that within that envelope and without increasing cost.

The other thing that I really like is that 56% of that tokens is used in our customer engagement layer. That's used to ask Telstra one sentence summary on our Telstra.com on My Telstra, but also to our employees, and that's really where we also see the returns. That's where we see the benefit both from an experience point of view, but also from an efficiency point of view.

24% of the tokens, they are used in our software development, and both this year and last year, we talked about that flow efficiency we see in software. So 24% of the tokens are used there. 12% is used in our network. That's of course an area where we really use it to support our ambition on autonomous networks, So 12% of the tokens are used in the network. Then 8% is used in our cyber, and of course our defence to avoid us being exploited to bad actors. So that's really also the areas, where we from the beginning identify there is big value pools. That's where we spend the tokens, and we are seeing the returns.

So for us, we have the right foundation in place. We have the right prioritisation where we use the tokens, so we believe we have a good set up. But to Vicki's point, we can't take that for granted. This is hard work every single day, to ensure that we bring all the AI benefits back to Telstra, back to our customers, back to our employees and to Australia, and not let all that AI benefit end up in big US companies' revenue buckets. So that's our ambition and we'll keep pushing hard on that.

Vicki Brady: Thanks Kim, that was great. Brad do you want to touch on Fixed Consumer and Small Business, the competitive dynamic?

Brad Whitcomb: Yes happy to, thanks Vicki. Let me start by saying our value proposition when it comes to Fixed has absolutely never been stronger. You can see this in the way we've improved our digital experience, be able to order there, our deployment of the nbn high speed tiers and the fibre associated with that, and how beautiful that was when it came to life. We've got an absolute industry leading Smart Modem 4 with Wi-Fi 7. If you don't have it, I highly recommend it. It's an entirely different experience when it comes to wi-fi performance in your dwelling. Of course, we've also rolled out naked internet or Internet Only. So for customers that have their own modem or choose to acquire their own modem and just want the high-speed service, we offer that as well. Plus all the benefits that come with being a Telstra customer, which I've talked about.

Then benefits we've also picked up from our digital migration, and we've seen an increase in our customer experience. Also, we've been able to drive down costs. At the same time, and it may be a coincidence, the competition as you pointed out has never been more intense and particularly around the price category. It's worth remembering, we do have the strongest acquisition engine in the market. We added almost 400,000 new customers to our Fixed business during the year. But we also have the largest embedded base and therefore, we're subject to the most competitive pressure in the market. That's why we've seen that net reduction or SIOs for the year.

Of course, we're very mindful of subscriber numbers. But we are not going to chase them at any cost. I think it's that discipline which has allowed us to double the profitability of our C&SB Fixed business over the last three years. If you take out legacy copper, it is now a business that's generating over half a billion dollars a years in profit.

Of course, we're not done. We're going to continue to innovate across the business. One thing I'd point out is the quality of our base is improving. One thing to look at is the number of customers that are on the higher speed plan. So at the beginning of the year we sat around 21% of our base on 500 mg or above. That's since climbed to 34%. As of today, about three out of every four customers who we acquired is on those higher speed tiers, and we're making great progress and moving customers across to fibre. So it is a healthy business. We are mindful of the SIO challenges that we've got, but we'll continue to innovate and continue to upgrade our game and perform in FY27.

Nathan Burley: Great, we'll have a few more analyst questions before moving to media. If you are media on the call and you would like to register a question, please press star one. We will go to Roger Samuel from Jefferies.

Roger Samuel: Hello, thank you. Two quick ones. Firstly, can you please unpack the drivers of postpaid mobile ARPU going forward? Is it mainly going to be driven by price increases or perhaps it's going to be a NaaP as well, when you offer premium differentiate services?

Second question is on your BAU CapEx which is going up a little bit in FY27 after being flat for the last three years. Have you taken into account potential CapEx investigation into the network outage? Maybe just as an extension to that, any potential penalties that we can quantify?

Vicki Brady: Thanks Roger, thanks for those questions. Just on the first ones in terms of drivers of postpaid ARPU. The first thing I'd say is Brad spoke to the most recent price change that came through. That flowed in, in May, so late in financial year 2026. So that will flow into FY27. NaaP, our Network as a Product strategy as we've talked about, a big part of that is making sure as we invest in capability on our network, that delivers better experiences for customers, to be able to make sure we share in that value creation.

One of the first ways to do that, as you would know, Roger, having followed the industry for a long time, there's not a huge amount of incentive to go up to higher price plans today if you look at our consumer plans in market. There's very big data buckets under all of the plans. And so part of our NaaP strategy in the first instance is giving people that reason to actually go up to a different plan because 'the experience I get is a better one.' So that's some of the thinking and work going on in the background, but as we look at FY27 we enter with some good momentum there in terms of ARPU. Michael might want to comment a little bit more in just a sec.

And just on the CapEx side, because I will get Michael to comment on BAU CapEx, but let me take the questions that are outage related first. In terms of the outage, first thing I would say is that is not factored into that BAU CapEx. We're still, as you mentioned, the external investigation is still underway. So we will see the findings out of that. As I spoke about, as I shared what was the initial understanding of the root cause, it was not CapEx related; this was an issue to do with processes on our side and then not acting on a software update. If those things had been in line we expect the outage wouldn't have happened. But having said that, we've got to wait and see the findings from the expert that's doing investigation at the moment. We're expecting those towards the later part of this month, at this stage, in terms of those findings.

In terms of penalties, the ACMA has commenced an investigation and we are clearly engaged with them and providing them the information they need. It's just far too early; they are only at the initial stages of that, so it is far too early to speculate about what that could look like. They need to complete their investigations.

Then just the other piece, outage related, that might be on people's minds, is where are we at with customers. We've had a big focus on making sure we make it as easy for our customers as possible who feel they were impacted to get in touch. We've had about, just over 30,000 customers get in touch with us. Right now we've processed credits totalling just under $1 million, and they've been processed very quickly to customer accounts. We're working with a handful of our Enterprise customers who, as you can imagine, have very specific services. They're on different contracts and have different service level arrangements depending on the services we're providing them.

So just in terms of the outage, no, to be clear, we have not factored that into CapEx or any of the outlook or guidance numbers. And as I said, far too early to speculate in terms of any potential penalties. But Michael, do you want to touch on either, any more on ARPU or talk a little bit about BAU CapEx?

Michael Ackland: No, thanks Vicki, I won't comment any more on ARPU; I think you covered that very well. I mean, I think of it as mix, improving mix will be part of the ARPU story, and that's what we're looking for NaaP to help us deliver. So I think you covered it well.

On BAU CapEx, I do think it's worthwhile just looking at, a little bit, about how our BAU CapEx has evolved over the last few years. We have seen quite a significant reduction in our IT CapEx, particularly as we've finished many of the big mass market digitisation investments and how they've flowed through. But also, the huge redesign of our software delivery operating model and the benefits from AI that Kim talked about earlier, making us more efficient in the delivery of IT outcomes.

We've also got very focused and more efficient on how we invest in our data and connectivity, and access CapEx in servicing our Enterprise customers. We're very focused on how we utilise the existing assets and we've taken some steps to improve the profitability of that business which has freed up CapEx.

That has gone into accelerating our investment into the active network capabilities, including mobile, including core, across Fixed and Mobile. And also in our commitment to Digital Infrastructure. So what's interesting in digital infrastructure is often when we build the active fibre, but the passive fibre which we're doing through Aura, for example, or when we get subsea cable, we will then light up that infrastructure for customers. And we've been investing in that and we talked about that, a little bit of that, in the capacity that we've got in International.

So I would look at our BAU CapEx, has been a trend over time, that big lift as profitability has improved from 2021 through to now. The improving efficiency in our IT spend and the reallocation of that strongly into both our active and digital infrastructure side of networks and we expect that to continue.

Nathan Burley: We'll take one more question from investors and analysts before we move to media. So again, if you are media on the call and you would like to ask a question, please press *1. So our final analyst question will come from Scott tRyall from Rimor. Sorry about that, Scott, go ahead.

Scott Ryall: No, you're right. Thank you. I've only got one question. Vicki, I wanted to ask you about the ability to grow with the market on digital infrastructure. Particularly given there is just so much CapEx coming both here and offshore. In answer to one of the earlier questions, you talked about – not you, one of the other presenters talked about the infrastructure assets within the portfolio, and looking at the potential to change the profile of those assets to fit with the changing demand of your customers. Obviously the Aura Network is really great because you started that a few years ago, and that's really coming into its own now. Is there anything else you can do?

And I guess, just as a left field idea, clearly power is a big issue; you're one of the few industrial companies I speak to that's actually gone out and sourced 100% of your electricity consumption from renewable sources. I know it's not matched exactly with your usage, but it's at least over your consumption. So you've actually been in market and done a whole heap of enabling things in your business; what else can you do that's outside just the assets that you own now?

Vicki Brady: Excellent. Wow, thanks Scott, for that. That's sort of a broad reaching question. Look, the thing I'd say is, just to your comment, I mean, we do have a big portfolio of infrastructure assets. What we've been really, really clear on, though, is being incredibly disciplined about where our assets provide us an advantage and where our capability provides us an advantage. And you mentioned Aura is a great example. It was actually February 2022 we announced that, so I am very glad that we made the decision back then to embark on the Aura build. To your point, it's coming into its own now with what's happening. These are the sorts of investments and infrastructure that you can't decide today you need next month or next year or even two years' time. They take real time to build and invest in.

We also, as we've spoken a little bit about today, we continue to assess opportunities in terms of other infrastructure investments, whether that's more routes here in Australia that would make sense if the demand and customers are there. We're also, we did recently expand our undersea cable capacity through a deal, two deals, one with Google and one with Keppel in Singapore. We see undersea cable demand as another area, particularly connecting Australia to the US and into Asia. We are definitely seeing shifts there and increasing demand.

So as we do that, we will take into account our assets, our capability, where we can truly differentiate, and obviously make good returns is a critical part of that. But also where we can partner; so undersea cable is a great example, I mentioned Google and Keppel. In both of those we did partnerships so there is the ability to approach some of these things in different ways.

But ultimately, we want to make sure we're there to deliver our customers their needs, not just today but partnering with them in a strategic way to make sure we're there, where we've got the assets and the capability to be able to support their future growth, the growth of Australia. And as Steven spoke very well, too, having Australian-based infrastructure and assets where we can invest, where that helps generate economic value inside the country and help set Australia up to be not only utilise AI as a country but how we might become a hub. Whether that's for Asia, whether that's for southern hemisphere in terms of how things play out.

I think there are opportunities there, but I can assure you our focus is very much on being disciplined and where we have competitive advantages that we can leverage. And then, of course, partnerships and how we work with others is also an important element as we think about those things.

But right now, I feel we're in a good position, Aura investment, pleased we made that call back in February 2022. We've got to focus on finishing it, delivering all of the routes, making sure we've really utilised that capacity and have those deals in place. But yes, we continue to assess future opportunity as well.

Nathan Burley: Thank you. That was our final analyst question; we thank the analysts for their questions. We will now just pause for a short break, after which we will start the media Q&A which will be hosted by my colleague Steve Carey. Thank you.

Media Q&A

Steve Carey: Good morning, and welcome back to the Telstra Full Year 2026 Results. We will now move to media Q&A. My name is Steve Carey and I'm the GM of Media here at Telstra. In this session we'll have Vicki Brady, our CEO and Michael Ackland, our CFO addressing questions and available to address questions from the media. If you haven't registered for questions, please do so on the conference call by pressing * then 1. If you wish to cancel your question, please press * then 2. For operator assistance please press * then zero.

Our first question today comes from David Swan from the SMH and The Age. Please go ahead, David.

David Swan: Thanks very much. Thanks to all those guys for taking some questions. Got three: firstly, I know obviously not captured in the results here, but I just wanted to ask if the July outage has cost you any retail customers since June 30? And if so, to what extent?

Secondly, Vicki, the Board docked your STI by 20 percentage points over the outage.

Your total remuneration still reached $6.8 million; do you feel that a partial bonus reduction is a sufficient penalty for what was a nationwide outage that affected emergency calls?

And third, I wanted to ask just about ARPU. The analysts covered this a little bit, but with average monthly mobile bills up 3.8%, is there a point in which retail customers reach a tipping point on price hikes given that it seems your customer growth has come almost entirely from MVNOs on lower margins? And can customers still stump price hikes when some of that network reliability is being called into question? Thanks very much.

Vicki Brady: Thanks. Thanks for that, David, appreciate those three questions. So let me take them one by one. Just in terms of the outage and impact on customers, first thing I wanted to just acknowledge was really to thank our customers for their patience and understanding during the outage. I know it was frustrating, it's not where we wanted to be, and I do appreciate their patience and understanding.

In terms of the impact we've seen, in terms of customer numbers post the outage, of course on the day itself there was some small impact but we have now seen no material impact in terms of customers leaving us post the outage, nor customers choosing to join us. And again, I don't take that for granted nor do any of the team at Telstra, and we do again really appreciate our customers' understanding. And we're very, very focused on making sure all of the lessons from that outage, we take those lessons and we implement the changes to make sure we come out the other side with an even stronger and more resilient network. So no significant impacts there to date.

Second question, just in terms of my remuneration for the year. The first thing I would say at the outset, as I said when I addressed the media shortly after the outage, as CEO ultimate accountability rests with me for the outage. And you will have seen, as you referenced in our remuneration report, the Board did make some decisions. And I thought I'd share a little bit of how they reached their judgement.

So first off you will see that myself and the Senior Executive Team did have remuneration reduced for FY26. For me that was a 20 point reduction in my short term bonus. And informing that view, the Board really looked at our initial investigation where we've been very transparent. There were things within our control that triggered the outage and so they formed the view that it was appropriate to recognise that, and accountability was taken in the form of an adjustment to FY26 remuneration.

The second thing I'd say is the expert investigation is still underway and so as those findings are finalised, as we have a chance to look at those, of course, if the Board see reason to have more accountability demonstrated through remuneration that will happen through FY27. And then the third thing I would say is, we have our targets for myself and the Leadership Team for FY27; they are based on the corporate plan that the Board signed off in June pre the outage, so there has been no allowance made in our FY27 targets in terms of any lead-way for the outage, which is entirely appropriate. So just sharing some of the thinking that went into the Board's decision around remuneration.

And then the final question which comes to mobile average revenue per user, and as you said, it was a very big topic of conversation on the analyst call earlier today. I think what we're seeing, first thing I'd say is connectivity has never been more important for our customers and for Australians. That's clear, and we see that whenever there is an interruption to service just how critical it is really today in underpinning the digital ecosystem of the country, and the way we work and operate. The way we access education or health or critical services; it is a fundamental underpinning to that.

As you pointed out, we've seen for a little while now where the growth has been in the market has been at that more value conscious end of the market. And that's why, as Telstra, we do have a range of products and brands and channels to market. And that's why, yes, we've seen strong growth with our MVNO partners; we've also seen very strong growth in our prepaid business. And we've always been committed to making sure we provide choice to customers so we can reach different segments of the market with different products and different brands.

And I think given how important mobile services are to Australians today, we continue to see people making those choices to make sure they've got a service. They want their service to operate at a high quality and that does take investment, it does take cost to be able to deliver on that. And I feel our Mobile business shows great resilience, and we again appreciate the understanding and support of all of our customers.

David Swan: Thank you.

Steve Carey: Thanks, Vicki. Thanks, David. Our next questions come from Sam Buckingham-Jones from the AFR; please go ahead, Sam.

Sam Buckingham-Jones: Thanks, Steve; thanks, Michael, and thanks, Vicki. I've got a couple of questions as well. The first one is you're spending quite a lot of money on AI; the Accenture deal alone is a big one, and the annual report noted that Telstra wasn't in the top quartile of companies on AI adoption and maturity. I can see that the Board has added AI impact to the new intensive target for you to achieve. Does this suggest the Board is not satisfied with the return on investment from what Telstra has spent on AI so far; and are you happy with the way that joint venture is going? That's my first question.

And the second one is probably a slight overlap on what David asked before. But do you mind elaborating a little bit more; do you think there will be any further impact on the salary or remuneration, sorry, of the Executive Team flowing from the outage? I just note that the cumulative amount that the company has paid out to all of its customers is about half of what the executives have lost, which seems like an interesting balance there.

Vicki Brady: Thanks, Sam. Let me take the first question; so just in terms of AI, we see it as absolutely fundamental and an enabler of our business. So firstly how we adopt AI and use it inside the company to deliver better outcomes for customers, to set our teams up to be able to work and develop their skills in AI. Alongside obviously Telstra plays another role in AI and that is the infrastructure, particularly our digital infrastructure, to help support the country, leverage the benefits of it. And frankly, through our networks including our mobile networks, a key way that people across the country will access AI in their business, at home, in their education will be over our networks including our mobile network as one of the key ways to do that.

So AI is critically important. As you mentioned, we entered a joint venture with Accenture. That was all about taking our data and AI capability, so the teams that have those skills that flow to work across our business and support the various initiatives in the different functions of the business. It was to bring our teams together with Accenture teams to make sure we were absolutely at the forefront. Because there is no doubt AI is a global game. We wanted to make sure we're not an AI company, but we want to be at the forefront of applying AI inside our business.

As part of that Accenture deal one of the metrics we put in was we wanted to get to the top quartile in terms of AI capability as an organisation; that is a global benchmark. We sit in the second quartile today and that's part of the joint venture goal and outcome it needs to deliver, is to get us to that top quartile.

In terms of how we're tracking, I'm actually really pleased with where we're at right now; we're a year into our Connected Future 30 Strategy so we've still got four years to go. We're in a better place today in terms of our AI capability than we would have been, I believe, if we had not done the Accenture joint venture. It's absolutely delivering for us, particularly foundational capability inside our business like our data AI Control Plane which gives us full visibility of AI use cases. It means we can monitor cost, performance. We can monitor the responsible use and safety of AI, and in fact, we're actually saying that we're able to drive our usage of AI up whilst not growing costs. And so that's a real credit to our teams who have worked over years to make sure we've got the architecture and the flexibility to be able to leverage AI and scale it without seeing the costs outweigh the benefits.

So net, we're absolutely seeing benefits from AI, and in our scorecard for FY27, as you call out, we've put in some new AI metrics. That's all about making sure we've got the focus around those most transformative pieces that we think during FY27 are going to be critical to deliver better outcomes to our customers and the business overall.

Just to your second question on remuneration, as I mentioned a little earlier, the Board formed a view and held us to account as a Senior Executive Team by making an adjustment to FY26 remuneration. The external expert investigation is still underway; when those findings are complete, of course, the Board will consider those findings. If further accountability needs to be demonstrated, that is something they will consider in light of our FY27 remuneration outcomes. And as I said, our FY27 scorecard does not give any lead-way because of the outage; it is set based on the plan we put to the Board in June of this year.

You mentioned where we're at with customers, and where we are at we've had a little over 30,000 customers reach out and contact us. We have, to date, processed just under $1 million of credits and I would again encourage customers, anyone who believes they were impacted and hasn't been in contact with us, they should reach out. Our processes are working smoothly and we are getting through that very quickly. So again, I want to thank our customers for their understanding and patience through the outage. And as I said, yes, we're sitting at the moment having processed credits of around just under $1 million.

Sam Buckingham-Jones: Thanks, Vicki.

Steve Carey: Thank you, Sam. Our next questions come from David Taylor from ABC. Please go ahead, David.

David Taylor: Oh, g'day guys, thanks for that, Steve. Vicki, just a question, we've had contact from a current Telstra employee that makes the point that Telstra has a, in inverted commas, secret strategy of when someone leaves the organisation, whether they retire or natural attrition, going somewhere else, you replace their job with a job in India. And that this is part of Telstra's strategy to cut costs at your head office. Basically replace a lot of the jobs that are done in your head office, whether they be through People and Culture, or HR, or Finance, or Marketing and replace those jobs with jobs in India to the extent that a lot of the work in the head office could be done in India. That employee says that that's correct; can you confirm that?

Vicki Brady: So David, I'm not aware of that particular allegation by an employee. But let me just talk about how we approach our workforce. So firstly, we have a large workforce here in Australia, we have workforce working in around 20 countries around the world. That does include, so we actually have an innovation centre in India, so our own teams employed in India. We also have teams in the Philippines. So we have, as a Telstra workforce, we do have workforce outside the country, including you take our Digicel business operating across the Pacific and our International business which is headquartered out of Singapore. So we absolutely have workforce out of Australia.

In terms of, are we deliberately as someone leaves the organisation then replacing them in India with our team there or through a partner? No, we make very deliberate decisions on our workforce and we look at what are the capabilities needed, where can we best access those capabilities? And that's how we make those decisions. Any decision we make on our workforce where it has impact on people, we don't make those decisions lightly. They are very considered decisions about what will put us in the best position to be able to deliver for our customers.

We're also investing heavily in our teams, particularly in capabilities around data and AI because we think that's critical. We want our teams to be really skilled and be able to adapt and adjust as the world changes with AI. So we are investing heavily in that also.

David Taylor: Are you in any discussions with any consulting firms here in Australia about how you can move more jobs out of your head office towards India?

Vicki Brady: Not that I'm aware of, at the moment, David.

David Taylor: You're the CEO.

Vicki Brady: I am the CEO, David, and so, as I said, we have very considered plans around how we manage and plan our workforce. And we do have teams in India and the Philippines as two big locations for us.

David Taylor: Thank you for your time, Vicki.

Steve Carey: Thank you, David. We'll move to Jared Lynch now from The Australian. Please go ahead, Jared.

Jared Lynch: Thank you, Steve. Hi, Vicki. Your Connected Future 30 Strategy is predicated on achieving top quartile AI maturity by 2030, and shifting towards that autonomous programmable network as a product model. But the outage which was triggered by that failure of effectively IT hygiene, the undocumented design change, and this software update. I was just wondering, how do you reconcile this high-level ambition to leading complex AI-driven infrastructure, with the reality that your current change management and operational processes appear to execute standard maintenance without risking service failures?

Vicki Brady: So, Jared, first thing just on the outage itself and what triggered it, as we've been very clear and accountable about, it was triggered by planned work on our network and it was due to some undocumented design change, that not being taken into account. And then also, if a software update had been done it is likely, if those two things had been done properly, we likely wouldn't have had an outage.

That's not acceptable; we have taken steps already from our initial investigation, and we have an external expert doing a full investigation right now. Our commitment absolutely is we have to take the lessons from that and implement those, so that we come out the other side with an even stronger and more resilient network and processes and controls inside the business. So no one wants an outage. We don't want it. We didn't want to be in that place, but it did happen. So now our focus is absolutely on supporting our customers, but also taking those lessons and implementing them.

In terms of where we're at on our Connected Future 30 Strategy, and you mentioned inside that how we make sure we are really adopting AI, using that inside our business, using that inside our network. Because at the end of the day, it is our network that's our core product to our customers. I'm actually very pleased with where we are at the end of the first year of that five-year strategy.

You referenced a goal and ambition we have, and that's to get to the top quartile of companies being able to demonstrate and use AI. It is a global benchmark. That's a target we set with Accenture as we entered our joint venture with them. We're sitting in the second quartile, and our goal is to get to that top quartile. At the end of year one of our strategy, we're making progress, and we will not be complacent because it's a fast-moving world, and that remains our ambition.

Steve Carey: Thank you, Jared, and thank you, Vicki. Our next caller is Jacquelin Robson from the Seven Network. Please go ahead, Jacquelin.

Jacquelin Robson: Hi, everyone. Vicki, it has been two years of consecutive and aggressive price hikes for mobile and internet customers. Are there any more to come, and should regular customers be left paying higher prices for services, which as we have seen in July, aren't reliable?

Vicki Brady: Jacquelin, let me talk a little bit about mobile. It is obviously a really critical service for customers across the country. People are more and more reliant, and we know today connectivity really does underpin the digital ecosystem of the country. We feel it. We know it, whether it is in work, your everyday life. That ability to have connectivity, to be able to access platforms, access health, education, critical services, it is absolutely key.

Obviously, running a mobile network, it does take significant investment, as does providing the level of service to our customers. And as we continue to invest, and you will have seen that we have grown our investment in our network and digital infrastructure over the last five years, we continue to invest in that, we do need to make sure we have pricing set that we can continue to sustain that investment to deliver on those expectations of our customers.

I would also point out we have a lot of choice for our customers, because we fully appreciate and understand that cost of living is a big pressure on a lot of people in the country. That's why we do have no lock-in contracts on our postpaid plans. We have prepaid available. We also have different brands and our MVNOs through ALDI and Woolworths as examples, to be able to support customers and give them choice, alongside financial support for customers who are in particularly challenging circumstances.

So Mobile remains, I think, a really fundamental service that customers continue to prioritise, and want access to high-quality services, and they are the decisions we need to make to be able to deliver for our customers ongoing.

Steve Carey: Thank you, Vicki, and thank you, Jacquelin. Our next questions come from Brandon How from Capital Brief. Please go ahead, Brandon.

Brandon How: Thanks very much for the time this morning. I just wanted to touch on a couple topics from the analyst call as well. In the context of SpaceX earnings last week, we heard that Starlink Mobile is planning to go online from the end of 2027, and they are planning to take market share from the US big three telcos, including in suburban and urban markets. I am just curious, how is Telstra thinking about the potential threat to its mobile market share from 2028 onwards?

On a related point with regards to the ACCC mobile services inquiry, they are considering LEO Sat direct-to-device services. I am just curious if Telstra has any position on whether or not there is a need for these types of services to be declared as wholesale? Thanks.

Vicki Brady: Brandon, thanks for that. The first thing I would say just on, yes, the SpaceX earnings call last week and conversations around Starlink Mobile, they were around a US-based service, as you point out. Obviously, dynamics and things are different in different markets, including spectrum access and various other parts of that, so that is an announcement relevant to the US at this stage.

Look, in terms of how we are approaching satellite, we made the decision to invest. We chose to invest in bringing satellite-to-mobile services to our customers here in Australia. We brought mobile [Satellite] Messaging last June, and recently we have now opened that up to provide access to Select [Satellite] Applications with a light data service over the Starlink's satellite-to-mobile service that we have chosen to invest in and bring to our customers. So we see it providing an important layer of extra coverage when customers are outside our mobile footprint, or an extra layer of resilience for our customers, because we know connectivity is so critical to them.

You mentioned the ACCC have announced an inquiry into mobile services. From what has been shared so far, and there is still a discussion paper to come on the detailed scope, but it appears to be a pretty broad-ranging look at the mobile industry, and it does include emerging technologies like satellite. We think that's incredibly timely to be having that sort of inquiry through a very structured framework. Given the pace of change in technology, given the different dynamics, and how important connectivity is for Australians, we think that is timely.

I would point out that infrastructure investment and infrastructure-based competition has really been a core part of our mobile market here in the country for a couple of decades. That infrastructure-based competition and that investment in innovation and ability to differentiate is why we have seen Australia be very early with 3G, 4G, 5G, and have mobile networks that are amongst the top few in the world. In fact, as Telstra, over the last five years, we have invested $9.5 billion in our mobile network, with $3.8 billion of that going into regional services. So we think it is timely for the inquiry to happen. Of course, we will engage with the ACCC as they progress through that.

Steve Carey: Thanks, Brandon. Thank you, Vicki. We would now like to welcome Josh Taylor from The Guardian to the call. Josh, please go ahead with your questions.

Josh Taylor: Hi. Thanks for your time. Just following up some of the other questions today. Looking at your ARPU off the back of two price increases and looking at your profit and obviously the shareholder buyback and everything like that. When the outage happened in July, you faced a lot of criticism from politicians basically saying that you are putting profits ahead of customers. Would Telstra customers seeing this, seeing how much profit you are making off them essentially, basically feel like they are coming last? Do you think it is adding to inflationary pressures?

My other question would be as well, just in regards to the spectrum pricing announcement recently, Telstra has been quite critical of that, even though it is actually less than what you were charged last time. The government will probably be looking at this thinking, you are a bit rich crying about this, given your profits today. How do you sort of balance your complaints about spectrum pricing versus your profits?

Vicki Brady: Josh, so just to address a few of those questions. First thing I would say, not only have we managed to deliver outcomes, and ultimately our business will only be successful if we are delivering for customers. We have seen consistently now after over the last five years we have been delivering improved outcomes for customers, and we are seeing that flow through in more customers choosing us and more customers staying with us, alongside lift in our Net Promoter Score from our customers. In fact, we closed FY26 with that at a record high.

As we have delivered those better outcomes and we have seen our underlying profits grow, we have also grown our investment in CapEx into our network and our digital infrastructure. In fact, if I look at FY26, we spent $800 million more in that year than we did in FY21 on our networks and digital infrastructure.

I know people will look at various elements of our results, and just to be clear, we did announce a further on-market share buyback. We are doing that alongside increasing CapEx. In fact, an on-market share buyback goes to our mix between equity and debt. It is not a trade-off between investing in our business.

In terms of spectrum pricing, yes, the ACMA formed a view on spectrum pricing. Ourselves, along with the other mobile network operators in the country, all had very strong views on what the fair value of that spectrum is. We believe it was priced higher than the fair value of that spectrum. In terms of valuing spectrum, you don't look backwards, you look forward, and you benchmark to what has happened to various markets around the world more recently. We still hold the view. We saw that at a lower value than was determined. However, the ACMA, that is their role to determine that price. They have determined it, and we will proceed through the various spectrum renewals that sit under that over the coming years from 2028 through to about 2032.

Josh Taylor: Thank you.

Steve Carey: Thank you, Josh, and thank you, Vicki. Our next caller we have is Rohan Pearce from Comms Day. Please go ahead, Rohan.

Rohan Pearce: Hi, guys. I have an unfashionable question about fibre. You mentioned this kind of strong pipeline for Aura. I am interested in that context about some of the demands or interest you are seeing in the routes that you haven't made an investment decision on yet, particularly, I guess, from hyperscalers, and whether there is a timeline for ruling in or out some of those optional routes?

Vicki Brady: Thanks, Rohan. Now, Aura, yes, it is exciting to see. As a reminder, we announced Aura back in February 2022, so it is great now to be more than halfway through it and have six routes live and ready for service. We have absolutely, particularly the last six months, we have seen a significant lift in the sales pipeline for Aura capacity.

As you mentioned, when we announced back in February 2022, there were two additional routes that we did designs on but were not part of the initial build. One of those was Darwin-Brisbane, and another one was Darwin to Perth along the coastal route through the Pilbara. They were two routes not included in the initial Aura project. Of course, our focus right now is on completing Aura. It is converting those sales pipelines into contracts and getting customers up and running on the network.

But of course, we will continue to assess if there is investment that's value accretive, that is going to deliver for customers and their demand is there, that is something we will continue to assess. No timeline on ruling that in and out. If there are good investments to be made where we have got the capability and the differentiation to be able to do it alongside customer demand, then that is something we will consider.

Steve Carey: Thank you, Rohan, appreciate that. Our final question today comes from Emilia Terzon from ABC. Please go ahead, Emilia.

Emilia Terzon: Good morning. Thanks for doing this briefing with media. Also, just a bit of a follow-up to some questions that have already been asked. Telstra's results show that you are working with one regulator on the outage. Can you tell us who that is specifically, and also if you are bracing for potential action from the likes of ACMA, who have actually just lodged action against Optus over one of its outages?

Vicki Brady: Thanks, Emilia. So ACMA is our key regulator, and it is ACMA that has commenced an investigation into our outage. It is in the very early stages. Of course, we are cooperating with that and providing all of the information they require. It is far too early to speculate around potential outcomes out of that investigation. So early stages, and we are cooperating fully with ACMA.

Steve Carey: Thank you, Vicki, and thank you, Emilia. That wraps our media Q&A for today's full year results. Thank you to the media for joining us, and also thank you to the analysts that joined us on the call earlier today. We will now wrap up formally our broadcast. Thank you very much.

[End of recorded material at 02:14:12]