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**ELECTRONIC LODGEMENT**

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**Telstra announces organisational changes and action on cost; Provides early FY25 guidance and reaffirms FY24 guidance**

In accordance with the Listing Rules, attached is a market release by Telstra Group Limited for release to the market. The market release is also provided for the information of Telstra Corporation Limited noteholders.

Release of announcement authorised by:

The Telstra Group Limited Board

## **Telstra announces organisational changes and action on cost**

### **Provides early FY25 guidance and reaffirms FY24 guidance**

**Tuesday, 21 May 2024** – Telstra today announced measures to begin the reset of its Enterprise business, simplify its operations and improve productivity. Telstra reaffirmed its FY24 guidance<sup>i</sup> and provided early FY25 guidance<sup>ii</sup>.

Telstra also said it would be updating its customer terms for its postpaid mobile plans to remove the annual CPI-linked review of prices.

Some of the proposed measures, which require consultation with employees and unions, would result in up to 2,800 job reductions from Telstra's direct workforce.

CEO Vicki Brady said the measures were necessary to ensure Telstra could continue to make the investments needed to support the ever-increasing growth in data volumes on its networks and deliver improved connectivity for customers across the country.

"Telstra's ongoing investment in infrastructure, technology, innovation and service for our customers drives growth and underpins Australia's digital economy, contributing to the prosperity of the nation," Ms Brady said.

"This is occurring within a dynamic environment, with an evolving competitive landscape, rapid advances in technology, changing customer needs, and the ongoing inflationary pressures facing all businesses."

#### **Reset of Telstra Enterprise and product simplification**

At its Half Year Results in February, Telstra announced a detailed review of Telstra Enterprise, covering all elements of its domestic business.

A number of actions have been identified to start a reset of Telstra Enterprise. These will sharpen its focus on areas where it has the strongest differentiation, further improve delivery for customers and improve the cost base of the business. These include:

- a streamlined product portfolio, reducing the number of NAS products in market by close to two thirds;
- a simplified customer sales and service model to better support customers; and,
- a reduction in the cost base of the Telstra Purple tech services business – particularly NAS products, aligned with revenue and changing market dynamics.

The review of Telstra Enterprise is ongoing and the challenging market conditions it is facing remain the same. A further update on next steps, including progress on the actions above, will be provided at Full Year Results in August.

#### **Simplifying operations and action on cost**

Ms Brady said the reset of the Enterprise business along with other organisational changes would potentially see up to 2,800 roles removed, with the majority of this to occur by the end of calendar year 2024.

"I appreciate the uncertainty proposed changes like this can create for our people and we will support them through this change with care and transparency. As we propose specific changes, we will talk them through with our teams and union representatives first," Ms Brady said.

Consultation on 377 of those roles would begin immediately, mainly from areas supporting the products and services to be exited in Enterprise.

In addition to starting the reset of Telstra Enterprise, Telstra will reshape some of its internal operations by moving its Global Business Services function into other parts of the business. This will help simplify processes and empower leaders closest to customers to make more decisions.

Telstra also continues to focus on a range of actions to reduce its non-labour and indirect labour costs.

With these actions, Telstra said it expected to achieve \$350 million of its T25 cost reduction ambition by the end of FY25.

Telstra expects one-off restructuring costs of \$200 - \$250 million across FY24 and FY25. These costs will be excluded from guidance and are in addition to BAU annual restructuring costs.

## Postpaid mobile plan customer terms

In addition to the cost reduction and Telstra Enterprise actions, Telstra announced it would be updating the customer terms for its postpaid mobile plans to remove the CPI-linked annual price review.

Ms Brady said this change simplified Telstra's pricing strategy by bringing the approach to postpaid mobile plans into line with other products.

"This approach reflects there are a range of factors that go into any pricing decision, and will provide greater flexibility to adjust prices at different times and across different plans based on their value propositions and customer needs," Ms Brady said.

"As a result of this change, we will not be making a CPI-linked annual price change to postpaid mobile prices in July 2024. We will continue to review our pricing and any changes will be communicated to customers in a timely and transparent way.

"Our mobiles business continues to perform strongly, with growth in subscriber numbers for the first four months of this half consistent with the first half of FY24. This success has underpinned our EBITDA growth in FY24 to date and reflects the high demand for our products and the value customers place on our differentiated network, its reliability and our flexible plans."

## Reaffirming FY24 guidance and providing early FY25 guidance

Telstra reiterated its FY24 guidance<sup>i</sup> and provided FY25 Underlying EBITDA guidance<sup>ii</sup> of \$8.4 - \$8.7 billion. Telstra also reaffirmed its commitment to delivering its T25 CAGR ambitions for Underlying EBITDA, EPS and ROIC growth.

"Our continued confidence in our capacity to grow mobiles' revenue and EBITDA, along with clear actions on cost out and to reset our Enterprise business, has allowed us to bring forward our Underlying EBITDA guidance for FY25," Ms Brady said.

Ms Brady said Telstra was just over 12 months from completing its T25 strategy and good progress had been made in a range of areas, including improving customer experience.

"Our strategy beyond T25 will build on the momentum created over recent years and help set the organisation up for success through to 2030."

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<sup>i</sup> This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases. Free cashflow after lease payments defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities' and excludes spectrum and guidance adjustments.

<sup>ii</sup> This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management.