TRANSCRIPTION

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[START OF TRANSCRIPT]

Geoff Horth: Good morning everyone, for those people on the webcast it'll just take a couple of minutes, we're just waiting for people to take their seats, so we'll get started in a couple of minutes, thank you. Can I ask you to take your seats please so we can get started? Thank you. Good morning everyone and thank you for taking the time to attend the Vocus Group investor briefing today and also to the number of people joining us on the webcast today who couldn't be in Melbourne, thank you very much for taking the time to attend. My name's Geoff Horth, I'm the Group CEO of Vocus. We have a schedule today, I'll just quickly talk you through the agenda.

On the schedule today we wanted to give you a sense as to what the key goings on in the business are, firstly to go through a trading update [unclear] on each of the operating divisions to give you some indications of how those divisions are performing. Pleasingly across the group we're very happy with the way the business is performing at the moment and we'll talk to that in the group guidance live with Mark Wratten at the end of the presentation.

But we'll have an update firstly from Mick Simmons, our Chief Executive Enterprise and Wholesale, Scott Carter who runs our Australian Consumer

Business and lastly Mark Callander, our Chief Executive in New Zealand. We will then hold a panel Q&A session so can I ask that you reserve your questions for the Chief Executives of the divisions until the end of the first section? Just in the interests of efficiency we'll give you the opportunity to ask questions both in the room and on the webcast at the end of that first session. We'll then go into an update on the ASC project, followed by we'll bring you up to date with where we are on our transformation agenda, pick up both of those sessions. Then Mark Wratten will provide you with a finance update talking about some additional detail in our CapEx profile, the status of the Board's deliberations about our non-core assets and then reiterate our FY18 guidance.

So at the end of that session likewise Mark and I will stand up and answer any questions you have, so once again if you can reserve your questions for the end of that second session of Mark and I. Also there are people on the webcast today that we just need to be a bit careful with the Q&A to make sure that if you are asking questions that you put your hand up, you get a microphone, introduce yourself and then direct your question at the relevant person so it's clear for people listening on the webcast.

Once again thank you for making the time to attend today. Without further ado I'll hand you over to Mick Simmons who's our Chief Executive of Enterprise and Wholesale. Thanks, Mick.

Mick Simmons: Good morning everybody. Back in June when we last provided an investor update and I presented some plans and strategies for the enterprise and wholesale division, I'd just like to revisit those quickly to set the scene for where we're at in for Q1. So back then we identified the four entities that form part of Vocus now that have merged during FY17 and towards the end of '17. We identified that we were Vocus by name but we needed to create a new business model, a new business model that reflected the attributes of those four entities. We talked about merging the market segmentation and the geographic concentration that was different across those businesses.

We talked about leveraging the infrastructure investment that came by virtue of those businesses merging, expanding our existing and introducing new products. Merging the various business philosophies and the approach that had been adopted historically over those businesses but not consistently. Most importantly at that time we identified that we thought our market share at that time was something less than 5% including the SMB Commander business, and that was a massive prize if we could execute.

We had seven clear strategies that we set as three year goals to integrate these businesses and deliver the market share we should have. Those strategies were improving our direct sales, penetrating the government market, particularly in the East Coast, growing into wholesale markets that we hadn't historically penetrated, particularly the international and domestic carriers. Integrate the Commander business and use that as a platform to penetrate the SMB market, introduce an account management and business partner program which we didn't have historically, which is about customer retention, growing loving and farming those customers. Improving our service delivery, which is very well documented, and most importantly introducing cost and capital allocation control.

Where we're at today is we've hit our targets for Q1. Those targets reflect 25 new starters, we have 12 open rolls and we're continuing to expand our sales team and greater rigor in management of that sales team, people are expected to meet targets. Back when we met you on the investor day we identified that our build revenue on the west was double the east yet the market size was disproportionate. The east we guessed was about 84%. Our goal over three years east to double west in build revenue. In Q1 east acquired 65% of our total revenue, indicating that we are on track in changing that imbalance between east and west.

The prize there could be as great as $150 million a year in build revenue. We have implemented our account management and business partner program. We have integrated the Commander business and we are using that Commander business to penetrate the SMB sector. We've taken all of our customers, we've segmented them and allocated them to dedicated account managers where the spend justifies, and the level of account management reflects that spend. We've introduced a strategic business partner program which is seeing major IT and managed service companies in Australia now deal with us on both a direct and a wholesale basis.

We have in the first quarter added 35 new partners which we're on-boarding today. The other key plank was penetration of our wholesale market in markets where we haven't performed well in the past, primarily domestic and international. We've won new business from existing customers, and that's primarily new products. We've won new business from new customers, primarily international carriers. We've focused our minds on increasing our allocation of spend which is on-net Vocus out of those two key markets which we haven't had in the past. Our NBN aggregation product has been launched and we are ahead of budget.

Most importantly we've improved our leadership and we're continuing to expand our workforce. The government market we identified as a core market to penetrate, our share on the East Coast was very poor, we had one product set, we used the term one trick pony by virtue of the next [gen] acquisition. We're now in the federal market and we're aggressively pursuing business, we've won four out of four tenders in Q1, today we're six from six. We are also penetrating New South Wales and Vic Government markets, we've won major business in New South Wales and in Victoria, and there are four major tenders to be let between now and Christmas that we can contest.

Our government team has expanded on the back of the business we've won and we are now winning early voice, so we're now offering a full product set into that market and we've won voice business federally and in New South Wales in recent months. Our continuing transformation project and improving our product set and unified communications platform will be essential to continue that growth in the government market. We have improved our service delivery. Back in December '16 we were $4 million MRR, Monthly Recurring Revenue, in the funnel. When I met you in June we were at $2.8 million for our traditional businesses excluding the SMB Commander business and Nextgen.

Today those same businesses are at $1.8 million MRR in the funnel, it's a monthly recurring revenue. We've integrated the Nextgen and the Commander delivery into our enterprise and wholesale delivery and the total pipeline today is $2.9 million. We have achieved efficiencies in headcount and we have identified $1 million worth of annual savings primarily out of integrating the Commander delivery functions into our enterprise and wholesale delivery functions. The biggest achievement out of that integration is a significant improvement in customer credits that we've seen in the Commander business in recent times.

Important for growing our market share is a revised marketing plan, which we have launched very heavily skewed to lead generation and data analytics strategies. It's essential to expand our share, particularly in the SMB market place. We are continuing to leverage our investment in on-net buildings and have continued that campaign and are building an extensive pipeline to farm into the future. I must remind you when looking at our on-net building campaign, if you look at an average 36 month contract term you've got roughly less than 10% of customers at any point in time coming out of contract.

What that campaign's allowing us to do is we're identifying all those businesses, we're identifying prospects in that business, we're building a pipeline and it goes into our lead generation function. Most importantly, as I mentioned at the outset, our cost in our CapEx [control]. We are now accounting for CapEx on an accrual basis and I can tell you the CapEx we committed in Q1 to customer acquisition averaged less than $1 million a month and in September it was at $613,000. We have brought greater rigor into our management of CapEx, but against that background of greater rigor 67% of data sales in Q1 were into on-net buildings, despite controlling our capital.

Our OpEx is tracking under budget and our bespoke projects or one-off projects that are well documented are all on track for delivery in Q1. That's my report card, thank you for your time.

Mick Simmons: Thanks, Mick. Thank you and good morning. Before I go to the consumer slides I'd just like to remind you of what we stood and said about the Australian consumer business back on June 14 at the last strategy day. We said there were three [tiers] to drive value in the Australian consumer business. One was to take MBN share. Two was to reduce the cost [to serve] when we do so, and three was to continue to drive churn down. So today's score card I'm going to very much focus on those three key areas of value.

I'm pleased to report - I'm going to throw these notes away, I'm very pleased to report that the progress we've made in MBN is continuing. Our momentum in the first quarter saw us deliver 53,000 new subscribers to MBN and that was growth of 29% in our services in operation across the consumer business. In that period we've taken our market share from 7.3% to 7.8% excluding satellites. Pleasingly we've also taken 9.25% share of all new MBN orders excluding satellite. That's a very important indicator for us, it's a leading indicator which suggests that we're over-indexing our current market share in terms of new orders.

The business also has been able to hold AMPU largely steady. At 30 June we reported $20.23 at AMPU and at 30 September that number is $19.95. I'll talk a little bit further about what we're doing to continue to try and grow that AMPU [pool] across both of our consumer brands, which is a very important strategic initiative for us. Dodo and iPrimus in the first three months of the year grew its broadband subscribers at a net level by 9100, that was offset in part by our legacy brands declining. Those legacy brands, as you may be aware, include Amnet, engin, Club Telco and also SBT.

I'd now like to turn to Dodo. The brand portfolio and consumer has been largely based around Dodo, which has been our price seeker brand in the NBN market. It's a business we're very, very proud of and has continued to perform very well. There's some fantastic leading indicators as we head into this year and FY18 that's come on the back of some changes we've made to our business. I'd like to share those with you now. As I said growing the AMPU pool is important, the key to that is obviously changing the product mix.

In the month of October to date we now have 40% of all Dodo NBN sales on the $69.90 plan or the 25/5 [speed mix]. It's very important one, the customer experience, but two, the AMPU that we're able to deliver off those services. In addition to that, sorry and just as a reference that compares to 11% in July of '18. In addition to that we've continued our bundling strategy with entertainment products. Entertainment products also assist us in growing the AMPU pool, but most importantly they assist us in reducing churn, which is one of the other key strategic initiatives in the consumer business.

The attachment rate for Fetch products on NBN was 13% in the first quarter and that compares to 6% PCP. NBN churn has also maintained a steady profile at 1.5% and in the back of today's investor presentation you'll see an appendix which extrapolates our the OFR for the first quarter. That will show you that copper churn has stayed at 2.4% whilst NBN churn is staying at about mid 1.5% at 1.5. Unfortunately in the quarter energy subscribers went backwards as a result of us putting through price rises in our energy portfolio. With changes to wholesale cost of electricity, price rises are important to make sure that we maintain margins. We reduced our investment in that quarter and will now go back into market with a heavier investment to grow that portfolio.

The next thing I'd like to talk about is the second leg of our consumer brand strategy, iPrimus. For many times over the last year I've mentioned that we've got iPrimus coming. I'm delighted to say that it's finally launched. On 15 October we launched a new iPrimus. I should start with saying its purpose is very, very simple, it's to grow incremental share of NBN in the value segment of Australia which will be higher ARPU and higher AMPU.

We've also built the iPrimus business on a new platform, a digital first platform with simple online sign up, a new app and a best in class support structure on top of the sales force platforms. So I'd now like to introduce the new iPrimus to you. The new iPrimus as I said it targets an audience that is a national audience but has a metro skew. It's for established to establishing households, people who want to attach themselves to a brand who are heading on their bandwidth journey. We've created this product on the back of some significant market research which showed us that our customers wanted flexibility in their broadband service.

I'll show you the advertisements in just a moment, but to point to the slide that we're looking at at the moment it has a quick online signup. We derive value for the customer by getting them to go online and give them bonuses for doing so. We have a brand new mobile app which has some unique features in it that are first-in-market, such as pause for us time. This is the ability for families to sit at the dining table, put out their mobile phone app and simply press the pause button which will turn the Wi-Fi off on all the devices at the table so that families can enjoy the opportunity to reconnect and disconnect their internet for a little while.

It's proven to be very popular in terms of research and we think it's a point of difference in the way that we market going forward, and I'll show you the advertisement shortly. We've also launched a best-in-class service application, and you'll see later on in the transformation slides there's a case study. This is the first phase of us transforming the consumer operation in Australia. One of the issues for our consumer business has been that we've been very heavily reliant on a call centre and people-led. We're moving that business now to being a digital-led business, and to do that we had to put platforms in place. We've fully launched the new Salesforce Service Cloud platform into iPrimus at the end of July.

We switched over all of the agents and since then we've seen a 10% reduction in the agents required to service the iPrimus customers. It's a fantastic step forward and one that will see us complete the rest of this journey by the end of FY18 across not only iPrimus but also Dodo. Looking at the screen the three mobiles there, this is an indication of the digital first journey, so the experience for an iPrimus customer is they go online, they sign up in under five minutes and then the entire NBN journey is automated. So it's from beginning to end there's a full milestone program so there's no requirement to call our contact centre, you know where you are all the time when you're with iPrimus.

As I said it is mobile first and that's very important because the early indications we've seen since relaunching the brand is that over 60% of online signups are actually coming from a mobile device. So we're going to continue to push this brand mobile first. This is the new website, which I hope you've seen. It'll show you three very simple plans, the most popular plan is the Hero plan, it's $80 a month. It's unlimited data and it's built on the NBN's wholesale 25/5 speed. To the right is an entertainment version should you wish to have entertainment, and as I said before we're seeing great attachment rates in the Dodo business and we expect to see the same in iPrimus.

On the left hand side is a usage based plan for those people that still wish to have usage based. I'd now like to show you the advertisements for iPrimus which will show you some of the features.

[Video playing]

As I indicated before, pausing for us time, which is an iPrimus term now is one of the proof points around being the most flexible internet you can get. iPrimus is positioned in the market as I said about being flexible, includes a couple of other proof points, one of them you'll see in some other advertisements going forward is the ability to pause your bill. This also came out as an important factor in research. So when you go away, why pay for your internet? All of these things are in a self-serve environment via the app, there's no agent involved in any of these features. This is the 15 second little top and tail of the brand and feature based ad that you just saw.

[Video playing]

So I hope you're excited by the iPrimus relaunch. We are, we've put a lot of work into it and we feel that if we can add to our fast growing Dodo business a value brand that plays in a different part of the market and attracts a higher ARPU and AMPU customer, this will put the Australian strategy in a really great place to continue to grow share. As I said we grew share from 7.3% to 7.8% in the first quarter of FY18. We're maintaining a low churn rate across our NBN business, which is good news, and we're continuing to go into market and take an unfair share of orders across the NBN. Thank you.

Mark Callander: Good morning, I thought I'd start by tackling the elephant in the room first. Firstly congratulations on beating the All Blacks yesterday, it's a significant milestone. It would be remiss of me to remind you that since 1930 they have been beaten 47 to 12 in terms of Bledisloe Cup, so don't get ahead of yourself, but now we've got that off the table let's get onto some highlights about New Zealand.

All right, one of the first key points I want to talk about is essentially the success we've had in the first quarter from a net broadband subscriber growth. You may recall in the last 12 months we went backwards about 3000 across our consumer base. In the first quarter of this year we've already grown nearly 3500 subs in the first quarter. This is down to a few key things. Firstly we've had ongoing turnaround of our digital performance in terms of the consumer experience in the market. We've had ongoing growth in USB, and as we've talked about for many a time our goal has always been to connect one in four kiwi homes, so we've continued with that.

Lastly, we've had a significant turnaround in the Orcon business. I'm going to talk about Orcon and [Mogger] a little bit later so I won't dwell on that much more. There's also some other things in terms of the customer experience that reinforced we're doing the right things. In the last quarter we've also won the CANSTAR award for the best broadband provider in New Zealand and we've also won a CRM award for the best technical help desk in New Zealand. So we're continuing to invest not only in price leadership but also the customer service elements in our New Zealand business.

Second to that obviously growth in USB is really, really critical and we have now exceeded 50,000 USB customers across our consumer business. That's more than 25% of our customer base now enjoying high speed fibre to the home. All joking aside it is actually fibre to the home, we still have north of 70% of all of the connections on 100Meg speed or better. We've seen all of these efforts we've had a very aggressive period where we've been transitioning customers to the fibre networks in copper. We've reached the point where over 50% of all our new customers signing up are choosing fibre first and all of these are having a really positive impact on our net customer growth and our net churns.

One of the key aspects that's worth reinforcing, it is our network that underpins all of this growth. We continue to lead in [true net] stats the network performance and we continue to meet the doubling bandwidth demands of our customers. The profile of both our Slingshot and our Auckland customers is nearly twice the industry average in New Zealand, which is a reflection of the service we deliver and the uptake and the focus we have on fibre services.

There's another couple of areas that we invest heavily in that have made quite a big difference. We've been through this migration process, we've also been doing an upgrade of CPE. So we believe certainly that to truly enable the last [mile] access you need to invest in the CPE and that has a significant impact on the overall customer experience but also gets rid of a significant volume of calls out of your contact centre. I'll use some real life examples of that shortly.

Obviously something we're very proud of is we bought an energy business in December. A lot of people thought we were crazy. In the four months preceding that we obviously launched under the Slingshot brand, and I'm proud to say that in that short timeframe and in the last quarter we've been the fastest growing retailer nationwide. So we're fasted in Auckland in July and August and then we're the fastest growing nationwide in September. It proves the trust and credibility that our consumer brands have got that can extend into other product categories. It's also a testament to the sign up process we have in terms of how we go about acquiring and attaching these services to our business.

Another really early stat which was very encouraging is the churn profile, so we have seen about a 25% to 30% reduction in churn for customers that bundle energy. It's a very familiar saying that the more services you have the lower your [return], we've seen that across both our broadband and energy bundles and our broadband and mobile bundles. In terms of bundling our attachment rates are very impressive, we are 14% to 15% attachment for energy across all broadband customers that sign up with us, and we're 13% to 14% for mobile as well.

What's particularly encouraging about these stats is this is a zero cost to acquire for us, to date we still haven't spent any money on the promotion outside of our existing customer base to acquire an energy or a mobile customer. So when you bundle that then we'll see net broadband growth we're getting and as the trends you've seen are lower churn the economics are pretty encouraging. Digital transformation, as you're aware we have a focus on trying to eliminate all humans in our business. We haven't quite succeeded yet, we've still got 750 of them but that all comes through our focus on digital transformation.

For us it starts at the on-boarding process at the beginning of a customer journey. So to date we're still transacting 55% of all new customers that join our business go through our online signup funnel. They do not touch a human being. Our goal is to get that to 75% and ultimately to 100%. Similar to Scott's presentation, the generations today they like to engage online, they like to engage with mobile devices, they don't like to speak to humans as a general rule, and that's the sort of trend we're seeing. We're actually seeing our NPS scores 300% higher for a customer that signs up online versus a traditional phone based sale.

We're seeing churn profiles significantly better for a customer that signs up online versus over the phone, and it's a key part of our strategy moving forward. Lastly just in the Vocus Communication side of our business, as announced last time we've been in the process of combining both our Call Plus and Vocus Communications business under a single brand. We have launched a Call Plus, Vocus Communications Call Plus website that now encapsulates all market segments under a single brand. We've gone through the process of appointing a single head to run that business and that person is Susie Stone.

Susie's a very, very strong leader and in a very short space of time has made significant progress restructuring the business. We're in the process of obviously consolidating product teams, marketing teams, service teams to deliver the scale we require across that business. We have a big focus moving forward on the enterprise space, which we've talked about previously. The last point up there I've talked about is we've actually launched an energy proposition to our small to medium businesses in New Zealand.

It took us three weeks to launch the product, we use a term I love to use called singular scale, and that means we essentially build a product on a platform and try and use it as many times as possible across plans in our business. So based on the work that the consumer business did for launching Slingshot, which took four months, it only took three months to build a modified energy proposition and to launch into the New Zealand market, and we're getting really good results there as well.

So Slingshot Energy. As I've mentioned we're incredibly proud of what we've achieved in a very, very short space of time. To stand up here and say in four months' time we've completely built an energy proposition, taken it to market, acquired 5000 customers, is a very significant feat and you'd probably be staggered at actually how cheap we did it internally as well. There are plenty of people out there who thought or hoped we were going to fail, unfortunately for those people I'm afraid to say we've got it just right. The other testament to what we've done in terms of this space here, I talked about Vocus launching a business proposition.

We've actually launched Orcon as well, so we've launched Orcon Energy, that took us two weeks to launch. So again very focused on our [agile] development and building systems in a way that they can be repeated and used. You can see the example up here I've got of the app. So again in terms of using existing systems you can see that power is now just an integrated part of our mobile app and part of our strategy of not wanting to deal with customers directly. So we've built all the applications we need in the mobile space and we're pushing relevant information to them in their real time. So my wife's turned on the pool recently and I can see that it's going to cost me about $100 a month to heat the thing. That's a little concerning but a very valuable piece of the app.

In terms of the proposition itself, we've gone out with a fairly simple proposition, so Slingshot launched with essentially a prompt payment discount. So bring broadband and energy to us and you save 10%. Based on the uptake we've received obviously the market has taken it very, very well. The softer side of that it also encourages a really good payment behaviour as well. So for a long time we've been focused on better collections and ultimately bad debt within the business. Once you start creating the right payment behaviours you can actually start getting better results across the [unclear] business. So it has been a big focus and it's clearly a proposition that people really like.

I've already highlighted it but zero cost to acquire, that sounds like a pretty good cost to acquire in my book. That really just comes down to our investment in our sign up forms and making sure that experience when they engage with us on a broadband perspective they get the relevant incentives and enticements to add fries with that through the process. As I've also mentioned the key factor from what we've driven here is a zero touch model, so we've added 5000 energy customers to our business and we've not added a single head to the business.

So the product has been able to launch in a way that [it's built all] the automation in from day one, we haven't had the burden of legacy and we haven't had to add any contact centre people to deal with it, so long may that continue. I'm going to play you a TV ad now which shows the integration of power at the end of [the TBC]. So when I said zero cost to acquire they [unclear] because I haven't, it's broadband led, so we've always lead with broadband and then we follow with energy at the end of it. Technical. At least I didn't have to follow finance this time. The crowd's still awake. It's a really good ad too. What did you do, Scotty? Did you do anything special? You just deleted mine didn't you.

[Video playing]

Okay, so a good example of this how we've subtly introduced the power discounting into the ad. Again everything we do is a broadband led sale and we can try and pull through. Obviously the other really big area of investment for us has been the Mogger program. We made the decision last year to go from three brands down to two and a key part of our success for this year ahead has been our ability to turn around the Orcon business. The Orcon business does target a slightly different target market. As you can see the chap here is a little bit different to the old geezer in the last CDC. But Orcon is trying to target those data-hungry households of which there's about 650,000 of them nationwide.

The key things I'd like to highlight very early on is we've actually already returned the business back to net positive growth, so we've done that in the first quarter. That certainly wasn't part of the plan and it wasn't a sandbag in terms of my budget def, it was just a follow on delivery from a very short space of time. How did we do it? First and foremost we've completely simplified in the business, so we've moved all capped plans with data limits and every plan is simply unlimited, so we've kept the business very, very simple.

We've continued to invest in terms of the self-service platform and signup funnel, so essentially we've taken the Slingshot version of the signup tool and we've now integrated into Orcon and we've seen similar conversion rates between the two platforms. We've right rated all our customers, I know in telco land you don't like to talk about right rating but we've gone out and we've done it and we've seen a very material improvement in churn, so we've gone out and done it smart and strategically put them on the right plans and up-sold them where we've had to and pushed them to fibre. But we've seen a really material turnaround in terms of the church profile on a short space of time.

We've obviously invested very heavily in the digital side of it, and as I've talked about we were planning to bring the contact centre back from Manila back to New Zealand. Pleased to say that's all on track and we're actually going to do it with half the number of heads we had. So that is down to the testament in terms of the simplification for business, the right rating of customers and our investment in our digital platforms across the Orcon. We've upgraded both the self-service platform and the mobile app that you saw earlier, and these have been catalysts for returning that contact centre back to New Zealand.

We expect to see similar improvements in our NPS as a result of all of these changes we've made. Also as I've mentioned the other cool things we've done as part of this is we actually launched energy and mobile into the Orcon business. So we were very cautious that we were going out there with trying to simplify the business but we wanted to also reinforce that the business was back and to do that we wanted a couple of product proof points, and we did that by launching energy and mobile at the same time as launching a new website.

I'm going to run the risk of talking longer than Mick here; I'm under a bit of pressure. Lastly I just wanted to talk about Vocus Communications. What I really want to talk about here is a big customer win that we've had recently in the enterprise space, and the main point of showcasing this is this is the type of business that probably neither business could have gone after prior to the merge. But the combination of the network assets and the scale of the network and the breadth and capability of our team and also a New Zealand based technology team. We've actually started getting really good success in the enterprise space, this is a key strategic market moving forward to us and I just thought it was worth showcasing.

So essentially we started an engagement with the New Zealand Racing Board after their incumbent couldn't come up with the approach to designing the solution that they required. Our teams got together, so we got our network engineers involved, our solutions people, our support people and we actually built and designed a multicast network for the New Zealand Racing Board to live stream both harness racing and greyhound racing. We actually delivered the project ahead of schedule, we earned a few good fans through the process and New Zealand Racing Board absolutely delighted with the engagement we had.

This launch here would not have been possible without the Vocus network that underpinned it. So the scale, the reliability and the resilience and the reach of that network were absolutely catalysts for the successful deployment here. But it did require collaboration across teams on both sides right through to our core network guys and the engineering guys at New Zealand Racing Board, and the outcome we delivered was spectacular. This is an area we're going to continue to push in, we've already highlighted that we see government and enterprise in the market segments as a big opportunity for us and this is just one illustration of the sort of success we can have when we focus and look at the results we're after. So that's it from me.

Geoff Horth: Thanks, Mark. I'll just invite Scott and Nick back to the stage phase as well. I think to the Aussie momentum and some of the key initiatives that we're undertaking in the business across the first quarter or the things that we introduced last year and how we're starting to see the benefit of those. Just touching on just a quick proof point in terms of what we're doing in the consumer business in Australia as well. We're clearly on a journey to be a fully agile lead organisation to see the benefits to be able to launch products quickly and in a way that we can in New Zealand, and we're making some progress on that journey.

I think whilst we're on that journey we're also seeing some benefits of our operational rigor today. We've got great disciplines around how we automate as much of the customer journey as we possibly can. I think there was recently some statistics published around the TIO complaints, and for the first time in four or five years we set an increase in Telecommunications Industry Ombudsman complaints. Largely driven by the peak migration of NBN subscribers we were in this period where a large number of customers are migrating to new technology, there are invariably issues associated with that.

All of the participants in the market saw significant material increases in the levels of complaint. Some of our competitors up to 75% increases in complaints year-on-year. When I say all competitors in the market there was one exception, that was Dodo. Dodo, in spite of migrating our business, migrating 50,000 odd customers to the NBN over the first quarter of this year, we actually held complaint levels steady with last year when we were at much lower migration levels. So there is actually great operational rigor, great attention to detail around customer migration and customer journey management.

Even in spite of some of the technology challenges we've had we've managed to maintain a really high level of customer service and great rigor around how we migrate those customers to minimise the impact as they migrate to NBN. Sorry to steal that thunder from you, but I'll now throw it open to questions and just remind everyone that please given there is a webcast can you please just introduce yourself before you ask a question and make sure you've got the microphone in hand.

Question: (Sameer Chopra, Bank of America) Good morning, Sameer Chopra from Bank of America, I had two questions. One is just on the consumer space, you called out the net at 9100 at Dodo and iPrimus, what was the net position like after you take Eftel into account, and what is the [rump] of those clients and some of those other brands like Eftel that you might want to migrate over time to Dodo and iPrimus? That's my first question, the second one was just you mentioned four tenders [were one], could you give us a sense of the size of these? Are we talking low millions of dollars, tens of millions of dollars, hundreds of millions of dollars?

Mick Simmons: In terms of the - now six out of six. There is a couple in there that are sub 100,000 per month and there's one in there that's over 100,000 per month. In the case of two there are a number of tranches, so we've won the first tranche, but we have the capability to secure further tranches as they come out of contract.

Scott Carter: And to add to your first question, if you refer to appendix in the back of the document, you'll see the total broadband net growth change positively by 2,000 in that period, so you can back the legacy brands off the 9,100. And in terms of what's left in those bases, it's just under 10% of our broadband bases left in the legacy brands at the moment, which we're obviously looking at through our transformation projects.

Question: (Sameer Chopra, Bank of America) Are you able to migrate them across to Dodo and iPrimus, so they - when they churn they go away?

Scott Carter: We - at the moment we have sister brand activities going into them, to try and migrate them across. We're looking through the lens of our transformation program to see if we can accelerate that and get to being a two-primary brand business very, very quickly, so that tail or that drag disappears, going forward.

Question: (Sameer Chopra, Bank of America) Thank you.

Question: (Raymond Tong, Evans and Partners) Hi, it's Raymond Tong from Evans and Partners. Just a question for you, Scott, firstly, maybe just on the ARPU for the [unclear]. You're saying that you're migrating up to high tiers. In the first quarter at the back I think ARPU was under a little bit of pressure, declined about $1.50. can you maybe talk through some of the mechanics driving that and is there a fair bit of discounting that's happening at the moment?

Scott Carter: Yeah, okay. Thanks, Raymond. To answer your question, no there's no discounting occurring. The indicator I gave of 40% order share was actually for

October, so it's not going to be seen - we're at 11% in the $69-product, for example, in Dodo in July. We're at 40% October, so you're not going to see it in the reported ARPUs and AMPU, but as I said, the trend going forward's quite positive. And I can share with you that that 40% of the [crop space] migration venue, so it's not just new customers joining us, which is a really positive trend for everything.

Question: (Raymond Tong, Evans and Partners) Okay, thanks, Scott. Another question for you, Mick, just in terms of the corporate side of things, the tenders that you've won, the six that you've won to date, what are the - what's the key feedback? What's - from the customers, why you've won those? And the main point of differentiation that you're seeing at the moment?

Mick Simmons: I think the most important point of differentiation is the historical strength and recognition of the Nextgen brand, federally - remembering they're six out of six, federally - and our infrastructure and the quality of that business has carried through in the tenders. They were a bit more rigorous than in the past on pricing, but also the ability of introducing new products is making us more attractive as well, so we have picked up some voice business.

Question: (Kane Hannan, Goldman Sachs) It's Kane Hannan from Goldman Sachs. Just a couple of questions for Mick on the CapEx. So just in terms of getting that backlog of orders down, you've obviously done a very good job there. But just a sense on what the impact of I suppose a lot of CapEx outlay and whether that's impacted the revenue growth from allowing to get that book down?

And then just in terms of type of payback period, just a sense for where your expectations are for that? And then where that will be once we get through these strategic trans- - sorry, fixing the balance sheet through some of these asset sales, whether you think that the 12 months - it could increase over time?

Mick Simmons: We've achieved these targets with those CapEx controls in the quarter, so I think that probably answers that question. [More], if we have a 12-month payback. There has been a reasonable proportion forming between 12 and 17-18 months, because it was close enough to be acceptable and in some cases, it was beyond the three-year term, in some of the 60 months, so we took a view to approve it. It was about - bearing in mind the control was about catching it and making the right decisions.

Question: (Kane Hannan, Goldman Sachs) So what would have been average payback during the quarter?

Mick Simmons: Probably I think around 14, 15 months, would be my gut feel. There wasn't many under 12, but they weren’t excessively past 15.

Question: (Eric Pan, JP Morgan) Thanks, guys. It's Eric Pan from JP Morgan. Just on the enterprise and wholesale, within enterprise, can you just talk a little bit more about the pricing dynamics that you've seen in the environment? Has pricing continued to come down, or have you seen it stabilise? I know the last time we caught up, Telstra was dropping their prices quite aggressively. Are you still the price leader in that segment?

Then on the wholesale side, you said you won a few contracts, so who are some of the carriers that you're working with? Are they international or are they national carriers? And what type of projects are they - are you winning with them?

Mick Simmons: Well, I'll answer that first in terms of the carriers. There are three major international carriers in Australia. I probably shouldn’t name them, but we've secured business with two of those three, and it's principally domestic ethernet services for international customers that they service in Australia.

To your first question in terms of enterprise, at the very big end of town we have participated in a couple of tenders and were not successful. One of those went to an international carrier, and we're very hopeful to be successful as a supplier to the international carrier.

Our pricing is - it is still a competitive market. IP transit pricing is particularly competitive in the market.

Question: (Eric Pan, JP Morgan) One more, if I could, on the consumer side - on the $19.95 AMPU, is that roughly one mega CVC on average that's being purchased? And as more of your customers move up the tiers in terms of speed, should we expect that to continue to come down?

Scott Carter: Sure. Thanks for the question. We don’t actually reveal what we've provisioned in terms of CVC. What I can tell you, though, is as customers move up, the margin pool grows. So we pay away a small part of it to the fixed cost ABC, and that leaves us with more capacity to obviously provision more CVC for those higher users, as and when we need it. But that point hasn’t occurred yet, because it's a leading indicator that we've given you today, and as that happens, we forecast that going forward. But the margin, more importantly, does grow as we're do that.

Question: (Eric Pan, JP Morgan) Right, and one more if I could? You're bundling a lot of Fetch as well as energy - what kind of margins are you getting on those? And if you have to take into account maybe a 10% discount, like you're doing in New Zealand, are you still making money on it?

Scott Carter: Yeah. Thank you for the question. I'm glad you raised it. In Australia we do not bundle much broadband with Energy at this stage. We are building the capability. It relies a little bit on our technology stack, which is the work we're doing for our transformation teams. So yes, it's our absolute intention to bundle and save with Dodo - move from connect and save to bundle and save, as we've got the technology stack ready.

At the moment, the bundling between broadband and energy is less than 10% in Australia and we're not giving away any margin on either one. We do see a great opportunity to put the two together, as done in New Zealand, I think well-exampled by Mark, and we will launch that as and when the technology stack is ready - which we absolutely hope to see in FY18. So that probably answers your question on that one.

In terms of Fetch, if you blend it into our total broadband customer base, because it's a low number of subscribers, compared to a - a low number of Fetch subscribers compared to a high number of broadband subscribers, the contribution on a first service basis is small, but it's a growing base. We, at the moment - all of our ARPUs and AMPUs that are published in the report do not include Fetch, and we'll consider that at the end of FY18 as to whether or not we put that in.

So it is low margin when you divide it by the 550,000, but on a per service basis it's actually considerable, and like New Zealand mentioned, we're seeing a very different churn profile if the customer's got broadband and Fetch, as opposed to broadband only, so it's absolutely helping with our third strategic goal of driving value, which is to reduce churn.

Question: (Eric Pan, JP Morgan) Right, thank you.

Question: (Andrew Levy, Macquarie) Thanks. Andrew Levy at Macquarie. Mick, I was just wondering if you could give an update on the Commander brand, and how the NBN rollout's impacting, and just your thoughts now that it's in your segment, on the outlook for Commander? Thanks.

Mick Simmons: We have created a dedicated NBN migration team to attack our reducing customer base minus three months from rollout. To date it hasn't been to our expectations. I think we can do better, and it is something we are putting a lot of attention into and our marketing activities are addressed to that.

Notwithstanding, it is a highly lucrative market for us. If you have a consumer business in Australia, and SMB NBN customers more - is more profitable, for obvious reasons. So it is a very interesting market - a market we would like to have a greater share in, and we're putting considerable effort into harnessing that improved margin that you get for a business that's predominantly a nine-to-five SMB business. It can be very lucrative if we can execute.

Question: (Andrew Levy, Macquarie) And how's the profitability versus incumbent customers, or existing customers?

Mick Simmons: Moving from an NBN world, better.

Question: (Andrew Levy, Macquarie) From copper to NBN, it improves?

Mick Simmons: If you're comparing to a similar consumer point, the profitability is better, and using NBN as an access network, as opposed to other third-party access networks, it can be better.

Question: (David Pace, Greencape Capital) Mick, hi. It's David Pace from Greencape. I think you made the point that 67% of your activations were on-net as opposed to off-net. Clearly the economics of the former are far superior to the latter. I'm just wondering whether there's a predetermined mix in your thinking, with respect to your ambitions to grow that business, going forward?

Mick Simmons: Yeah, the important factor to bear in mind with an on-net customer can still come with a CapEx commit, so it can somewhere between $3,500 and $5,000 to bring that customer on net. So the theory that it's 100% margin is not necessarily always correct.

I don’t know that we've got a predetermined percentage. I certainly don’t, in my mind, because we've got an NBN network that's being rolled out that is becoming a potential access network and depending on how all that pans out, it may be more relevant than building in the future, and I think we just have to be making the right decisions, based on every business case, rather than aiming for a particular market penetration. I think it's…

Geoff Horth: So do we have any questions from the…

Unidentified Participant: [Unclear].

Geoff Horth: Okay, as there's no further questions, I'll thank the guys - put your hands together and thank the guys for their contributions.

[Over speaking]

Geoff Horth: Hopefully that’s given you a sense that obviously, we laid out some plans at our June investor day, and I hope that that's given you a sense that we're making great progress against those plans and we're very, very focused on delivering in all of the divisions of the business. We have quality management teams in place and very clear strategies to go and extract data and in all three markets that we operate in we've got very modest share and great opportunities to grow our pool of margins in those markets.

So consistent focus on getting the customer journey at lowest possible cost and the highest possible quality, and growing share of market. And as we're doing in the NBN and the [USP] market and also on the enterprise and wholesale, if we can get the margin pool growing.

Clearly, we've got some headwinds. We've got to mitigate fixed voice revenue decline. We've got NBN costs - costs increasing as we move to NBN, but the business has some significant lead and support from a cost perspective, and obviously has some very [weak] tools and margin that we're attempting to access, both from the government and carrier and other markets in both Australia and New Zealand.

So in combination, the business is well-positioned, with good discipline and strong programs of work, the business is really well-positioned to grow its earnings into the long term.

I've talked to you about two key areas, firstly the Australia-Singapore cable project, and secondly the evolution of our transformation journey, which has recently has some media coverage, and I'll touch on that.

Firstly, to actually - I just want to reinforce the importance of this project to our Group and the opportunity that's presented for our shareholders by investing in this strategic route.

Just to refresh your memories, this is a 4,600 kilometre cable system connecting Australia to Singapore, Indonesia and recently announced to extend that system into Christmas Island. That system, as I'll talk through the project status, is on track to be delivered in the first quarter of FY19. It is the first system in the water, and waters are very congested and undisturbed route today and a very strategically important route for Australia, and in fact for the rest of the world.

We have updated the CapEx profile marginally. We've added another US$4 million of CapEx to the FY18 CapEx. That's actually just to augment our terrestrial network. Obviously, landing this system in Perth gives us the opportunity to hand capacity off anywhere in Australia, leveraging our terrestrial network.

So one of the key advantages we have, talking to customers is that you don’t have to deliver this connectivity in just Perth and Sydney - you can leverage our terrestrial network to hand off in wherever your data is - whether it be in Adelaide or Melbourne or Darwin or Brisbane - we've got the ability to leverage our terrestrial network and deliver you lots of capacity where in the network. So we're making some investments in augmenting the network to carry those 100-gig waves, and that's about US$4 million extra CapEx in FY18.

Pleasingly, we have managed to renegotiate the completion payment due to the Nextgen vendors, which is easing our FY19 CapEx on this project, reducing that completion payment from US$20 million to US$8 million, so you'll see the previous version of this slide had the FY19 CapEx at US$122 million. That's now US$110 million.

So in combination, the total project costs associated with ASC have reduced. We're very comfortable where we are with that project and too we have running into that current forecast that we'll be able to deliver this project within that capital envelope in FY18 and FY19.

Give you a bit of sense as to where the projects are. I think it's important to point out that this is a route that is significantly underserved today, and particularly volatile and unreliable. I think there have been three outages on this system in the last 12 - the current system that serves Australia direct connectivity to Singapore is a system called SEA-ME-WE 3, which is very old - 15 years or more of age, has two to three years to run, is no longer upgradeable. So it currently carries about 300-gig capacity. Cannot accommodate any further growth, and it is completely full, and it is particularly problematic.

So all of our connectivity into Asia or the US actually comes out of the east coast of Australia and the centre of the internet world is moving and it's moving to Asia and Europe. So this capacity is really important for the country. It is delivering the lowest latency route into Asia, where a significant amount of the internet is now hosted. It *is a very important, underserved and volatile or unreliable* route today.

This design - the design of our system, the four [part of pairs] delivers 40 Terabits of capacity, but it also actually delivers a very, very robust and protected system, high levels of armouring, significant burial depth in key areas of where there would otherwise be risk of sabotage or cable cuts through fishing and anchors and the like, and is very well protected against the risk of typhoons, because of the way the system has been designed.

So I think up until three weeks ago, three of the four primary routes from Australia to Asia were actually not available or not ready for service, and so there were actually real concerns around our capacity to connect to Asia from Australia. It is a significant national issue that this cable is designed to address.

We are well-progressed in terms of our permitting. I think we are - the vast majority of our important permits, including all of our landing rights and crossing rights are in place now, so this system is actually - there are no regulatory or permitting impediments building this platform.

We have a very experienced team on this project as well. It's being built by Alcatel Submarine Networks with a project team that worked with Alcatel Submarine Networks to deliver the northwest cable system. NWCS was the platform that was delivered about 12 months ago, connecting major - connecting Darwin to Port Headland, and actually providing connectivity to the major gas platforms in the northwest shelf, and we've recently finished connecting the second of the two customers on that platform, Shell and INPEX.

You will see in the CapEx profile that there is some CapEx in this year associated with that - that work. We believe that there are opportunities to grow that platform, both connecting other platforms - sorry - that cable system - both connecting other development platforms on the northwest shelf, but also connecting our potential other clients into new countries.

So there are opportunities for us to grow that and we've got great experience in our project teams who delivered that system, delivered it on time - or ahead of time - and on budget. That same team has just transitioned straight off NWCS on to Australia-Singapore cable, working with the same vendor, who is very well-positioned to deliver this project.

The project is very well-advanced. We have done most of the civil works, so significant trenching in Singapore to get us from the landing station into the - sorry, from the landing point into the cable landing station. We have picked our sites for the cable landing stations in Indonesia, Singapore and in Perth, and we are well-advanced on cable and repeater manufacturing - in fact 75% of the way through that manufacturing process.

This cable will have been completely manufactured by the end of November this year. So that project is well and truly advanced and genuinely on track to be delivered in the first quarter of FY19.

To that point the cable-laying ships have been booked. They are due to be in the water in the third quarter of FY18. This project is real, and it is on track and it will be delivering this connectivity - vital connectivity for Australia and the opportunity for our shareholders from the first quarter of FY19.

A project of this nature clearly has - there's obviously a significant investment for our shareholders, and needs to deliver real returns in the medium to long term. We feel as confident as ever that the opportunity to monetise and commercialise this project is real. We're very confident about the progress we're making with presales and the thematic around demand on this route is very encouraging for owners of assets connecting Asia into Australia.

So I said there's 300-odd gigs of capacity on SEA-ME-WE 3 today. For every customer buying capacity on that system, they're buying significant diversity off the east coast, and are probably sending not just their diversity, but a significant amount of additional capacity off the east coast into Australia. If you can't buy any more connectivity to Asia, then you're going via east coast route. Every bit of that capacity today is part of the addressable market for us, as we move into - closer to the ready for service.

We're very, very confident. We have obviously got a significant body of work going on around our cornerstone customers, but the vast majority of customers buying capacity on SEA-ME-WE 3 today are not cornerstone customer opportunities. We see them participating largely in the lease market. That's the market that will be available to us as we get closer and closer to [really get] the service. These are customers typically buying 10 gig or less connectivity, and that as customers, there is a significant amount of pent up demand today, because the connectivity they are buying today is not only constrained, but it's extraordinarily unreliable. We have great hopes for that.

We just lost the slide.

As I said, this is an underserved route. It's not just a route to connect Australia to Asia. We're seeing an increasing amount of the world's content hosted in Asia, not in the US. It's also a really important route to get a diverse path from Asia and Europe into the US - strangely enough - around what we call the Great Southern Route.

We're talking to a large number of international carriers who are looking at how they might build diversity for their current exposure from Asia to the US. It might seem like a strange thing to say - why would you come from Asia via Australia to get to the US? Why are you trying to build a diverse path when there's a straight route directly from Asia into the US?

Well, the reality is that the vast majority of that connectivity goes through the South China Sea today and a large proportion of it goes through Guam, so there are significant geopolitical and geological challenges associated with that connectivity, and the prospect of that connectivity being significantly disrupted has very, very important implications for large, multinational OTTs and large global corporates.

So we do believe that this is - I think we call our demand of 50 Terabits per second by 2029 on a cable system that will be about 78 to 80 T of capacity available, with the systems that are planned today. That capacity does not count any of the international diversity opportunities. That's just what we see as the demand - the connectivity from Australia into Asia. It doesn’t count any of the potential reverse traffic out of Asia into Australia and transiting Australia into the US.

As I said, it effectively replaces the aging and unreliable system, and it is fundamentally a system for which first mover advantage cannot be overstated. The opportunity to go and target the customers who are currently buying constrained and unreliable capacity today, to connect them on a next generation, lower latency route and to help them direct their east coast Australian traffic back via the west coast and the lower latency route is real, and we're very excited about it.

Where are we at with that sales process? We have two phases to this sales process. We will - our wholesale sales teams in the second half, with the pre-RFS offer, so that opportunity for the RFS offer - so the opportunity to go and talk about lease market - the sub-10-gig market - our wholesale sales teams is still international transit - it has sold international transit for the best part of 10 years - will be armed with that product and will be out there, talking to a vast array of customers, currently consuming SEA-ME-WE 3 or east coast connectivity.

I say we've been doing it for years - we've been selling in the wholesale market Southern Cross capacity since 2009, I think, or 2008, so we have real credentials and existing relationships with people who procure this type of capacity in the market today.

But our focus today, and leading up until - into the next quarter is really about securing those cornerstone customers. We've made great progress. We were obviously challenged in terms of giving people confidence about this system during that private equity process. There were real concerns about whether the business or the capacity to pay for this system. That really held us back in terms of talking to prospective customers.

We've seen a significant uptake in activity. We have a dedicated head of international sales in place today, for these cornerstone customers. We're talking to customers who are looking to procure a minimum 100 gigabits per second capacity, all the way through to multiple Terabits of capacity.

There's 20-odd opportunities in that pipeline today. There are eight that we would qualify as close to the - or in the documentation phase, so we'll have formal proposals to the vast majority of that 20. We have draft heads of agreement, or are starting the contract and documentation phase for eight of those opportunities.

We remain very confident. Clearly, these are long sales cycles. We're talking to global OTTs, we're talking to international and domestic carriers. There's a very big pool of potential customers there. We're talking about strategic uptake arrangements with their buying capacity. We're talking about strategic swap arrangements, where we're swapping capacity in other routes.

I think that's a good segue into why this is such a critical project and important initiative for our Group generally.

Sure everyone will appreciate why we - why the Nextgen acquisition - when we talked about that opportunity presented by - in the government market, by virtue of the fact that we own the Nextgen network, because we can leverage ownership economics. When you're operating your own terrestrial network, you can drive more and more capacity across that. You can capture more and more share of market - without paying more and more of your margin away to your competitors over time. If you're having to buy that terrestrial capacity off your competitors, as your customers' demand goes up, you're paying more and more of your margins away to your [customers sic - competitors] over time.

It's exactly the same in international transit as it is in domestic connectivity. We're a business that purchases all of our customer international transit in the wholesale market today. We go to market. We procure it. So if that customers use more every year, which they do - as much as we might try and mitigate that growth in demand through our pairing and casing strategies, invariably more and more every year we have to purchase international transit.

Now, current forecasts suggest that we would spend - or we will save approximately $110 million over the next five years in international capacity, IRUs, by virtue of owning ASC. So rather than going to market and buying capacity off the east coast to connect our customers - with their growing demand - to international markets, we can actually swap capacity, using our ownership economics on the west coast, swapping capacity for a Terabit on ASC, or a Terabit on an east coast route.

So over time, this asset not just delivers good returns for shareholders, it actually helps the Group to maintain a competitive position in the market, otherwise we'd be paying more and more of our margins away to our competitors over time, by having to procure a growing demand for our retail and our corporate customers and our wholesale customers, in the wholesale market.

We remain very confident in our ability to procure - or to secure new customers to underpin this investment. We're very comfortable with the project. We'll have a significant amount of pent-up demand from that sub-10-gig wholesale and corporate market, at ready for service, and we're also very comfortable, based on the five-year plan that we've built, where there's $110 million worth of CapEx avoided for the Group by virtue of our investment in ASC.

So next, I want to talk to our transformation program. This has obviously had a little bit of media attention the last week, where it was published that our head of transformation has departed, and that is correct. We have taken our transformation project in a slightly different direction - in fact in quite a significantly different direction. It requires a new set of skills, and we have engaged some external consultants to support us on that extended transformation agenda that was revealed as being [bailing] company in the media last week, so I'm not breaching any confidentiality by saying that here today.

Clearly, as we've extended our transformation agenda, it actually has called for us to rethink the way we go about our transformation and that did mean that - the consequence of that evolution of our strategy was that that role was not appropriate for our business as we move into the next phase of our transformation journey. So I just wanted to put that in context.

So let's talk a little bit about the history here. You should know this is a business that's gone through significant M&A. I think collectively the businesses have done in excess of 40-odd transactions and a significant number of transactions in the last five years.

Material transactions that actually were done largely for a purpose - I say largely - not entirely for a purpose. They were done to create the fourth vertically integrated big telco in the country. The combination of the M2 mass market assets and the associated mass market business in New Zealand, with the Vocus infrastructure - you see through Mark's presentation today the value we're getting out of leveraging that Vocus infrastructure and targeting the corporate market in New Zealand.

Likewise, you see the value of the Nextgen acquisition, and how that's opening up opportunities to sell to the government market for us. Nextgen didn’t have that opportunity, because it didn't have the application layer and the credibility and the access layer as well. But the combined Group is obviously now in a position to target almost any market in both Australia and New Zealand. It's because of the combination assets that were put together thoughtfully.

Clearly that combination has not been executed well, and that's apparent to everyone in the room, and we'd like to apologise to shareholders for that. The reality is that the great potential of this combination of businesses has not been realised yet, and that's because, frankly, the integration of these assets has not been executed as well as it could have been.

I suppose this slide tells a little bit of that story. We do a lot of acquisitions. The consolidation was largely functional. To bring the organisations together quite thoughtfully, we create a new functional organisation by and large. We consolidate corporate systems, so you'll be on the same email platforms, largely on the same finance systems, but a lot of the technical complexity of the respective businesses was not dealt with.

Those businesses, some of the businesses acquired had significant technical complexity within them as well. We bought businesses over time that had six or seven BSS in them. As a consequence of all those acquisitions, the reality is the front of house, in terms of the functional organisation, has been well integrated, but the underlying technical data has not been dealt with. That was really the reason for the technology transformation program.

We kicked off technology transformation so that we could start to deal with those underlying technical issues, or the technical debt that the business owned. That program was focused around 10 key projects. We called them out at the June investor day. I'll give you a quick update as to where we're at on those programs, but they were really about trying to optimise our customer experience, trying to address some of the underlying technical issues in the business, and drive out some of that complexity.

So I said we've recently extended our transformation agenda. We spent some time as an executive over the last - actually post the private equity process, which caused us to have a bit of a closer look. Caused us to rethink about we'll revisit the opportunity for this business if we were to extend our transformation agenda.

We spent a lot of our time in those management meetings not just listening - not just talking but listening, trying to get a sense as to where - what might have been the direction that some of these private equity businesses might have taken the business. Are there opportunities that we're not seeing? It was great for us to really reflect on whether there were things that we could - or further directions that we could take this business.

We came to the conclusion there was, so we actually embarked on some work to quantify that opportunity, both at the cost line and where the earnings capture opportunities are, and we also acknowledged that we didn't know everything we needed to know. We hadn’t done it before.

So that's where we felt that to go to that next level - to take this business and to realise all the opportunity for shareholders that we needed - that we were committed to actually bringing in some external support, and we've done it multiple times. We can actually bring the rigours and the discipline to this business to help us implement that program - or that extended transformation journey.

To quickly take you through that, the 10 projects that we called out at the June investor, I'm pleased to say that seven of those are now in the execution phase. We have a couple that are still being evaluated. It's possible that two or three of these projects may not make it through the - fully through the evaluation phase. We may take a different direction. But we've made great progress with the programs that we've moved into execution phase.

We've actually put strong resources in place. We have our transformation lead in the business aligned with each of the divisions, so Scott and Mick have a dedicated head of transformation responsible for quarantining all the work and all the effort in their respective businesses, to make sure that we get focused on the stuff that matters. And that's - I've lost the screen and it's back.

Those seven projects are at various stages of execution day. Some of the execution primaries for full realisation of benefit are up to October or November next year, but a number of these projects have significant stages of delivery between now and July.

I think the first two phases of every - the voice platform implementation is due to be delivered prior to Christmas. That's a significant enabler of our enterprise business, and the opportunities that Mick talks about in that government market and large enterprise can go and drive either of our communications. So good progress there.

We have not only good teams in place - we have good governance regimes, a good discipline around making sure that we are allocating resources effectively and that we're tracking performance and delivery of these programs.

I'm really pleased with the progress we've made. To move the business away from the useful many into the vital few projects - the stuff that really matters for our shareholders and for the health of our business in the long term.

So yes, just the final point on that slide is that we did build some benefits into our FY18 guidance that we associated with these programs. We're making significant investments - $25 million-odd of CapEx in FY18 that'll deliver long-term benefits to this business, but there are some benefits that we expected to be delivered in FY18 and we're confident that we're on track to deliver those benefits.

To give you one example of one of those programs, we talked about the consumer service organisation and Scott talked about the 10% improvement he's made in the number of agents that we deliver - that we have service in the iPrimus customer base over the first quarter of this year. This is a program that's been in place for about 12 months now. We're delivering - we looked - did some - an audit and a diagnostics of our consumer contact centre environment.

Some of the statistics are quite alarming. 15% of our issues did not get resolved on the first call. 40% of all customers who contacted us needed to be transferred to another agent to have their issue resolved. We were at 10-minute average handling times in the contact centre. It's nowhere near world best practice. We're answering calls quickly - we just weren’t getting the issues resolved to our customers' satisfaction every time we contacted them. Multiple handling, multiple call-backs - just an unsatisfactory environment.

So the solution was to roll out our salesforce service cloud and then to back it up with a contact centre solution - a fit-for-purpose contact centre solution - the Genesys contact centre. That platform that Scott mentioned, the salesforce service cloud, was rolled out to the iPrimus agents in July of this year, on track - on time and on budget. So that program is being delivered.

So as I said, it's actually delivered some benefits already - a 10% reduction in agents across the first quarter, without any degradation of the service experience. The customers are getting a better experience. Lower handling times, less call transfers, and we need less people to service the customers.

Obviously, our lower churn's helping that as well. So it's helping - it's supporting that lower churn ambition, but as we move more and more customers to the NBN, when you've got lower churn, you've invariably got less issues with the customer and you're contacting the contact centre less. As we start to light up more and more of our digital platforms, we'll drive more and more of our interactions from a phone-based environment into a digital-only environment.

This program in itself will be completed by October 2018. Salesforce - as the one element of the program will be done by the end of the financial year, and then the Genesys rollout - as the contact centre - so omnichannel contact centre solution, will be completed by October.

We - as I said, this will deliver benefits in FY18, but the business case has north of $10 million of annualised earnings benefit within the business case at the time we wrote it - $10 million of earnings benefit by FY20, and we believe that the business - this business case is on track to deliver those benefits.

It gives you a single pane of glass to do an omnichannel contact solution, so as you come in, whether you're on live chat or you're on phone, it directs your call as efficiently as possible, to an agent with the relevant skills and gives that agent a single view of the customer, rather than traversing through multiple screens - fundamentally improves customer experience dramatically, and you can flip that pane of glass to give customers direct access to self-service as well.

So it's an important part - not just of improving the efficiency of our contact centre, but improving the quality and the - fundamentally our consumer strategy is to move from a phone-based or a people-based business to a purely digital environment. This is a key plank or pillar of that strategy.

So, to talk about where we are, obviously you've got a sense now that we've made some progress on that technology transformation. We've got a lot of work to do there. Talked about where we are, extending our transformation agenda. We're setting our sights at cloud.

This Rapid transformation program commenced about four months ago now. It's called Rapid, because it uses an agile, Lean approach to really drive quickly to deliver these benefits. It drives accountability for change down into the line, if you will - gives you a measure of every activity that's happening within the business and drive through of these benefits, but you know that everyone who owns it is actually - it goes deeper in the organisation.

In most larger organisations invariably, accountability for executing change falls to the - falls on the shoulders of executives. There's only so much one person can do, or even working with their senior leadership team, to effect change.

These programs - one of the fundamental principles is they drive change down into the organisation. They have multiple program owners, not just the executive is a sponsor and the senior leadership team as an owner of an issue.

So you get - with the right processes, with the right delivery mechanisms, you get rapid change, because that change is actually being executed by a large number of people in your business.

The three key streams of work we're doing today are oriented around optimising spend. It sounds like a pretty obvious thing, but this is actually where we think the low-hanging fruit is. This is actually using best in class procurement processes to look at all of our external spend, to look at where we've got opportunities to optimise or consolidate our supply portfolio to get better returns and to get better pricing. It's bringing analytics to the fore, to improve the quality of our circuit audits network, circuit audits and planning in our carrier reconciliation, so making sure every record that we have is optimised, every cost we have is optimised - that it's ours, that it's being charged directly by a carrier. We do all that work on sample testing [unclear] population testing to the fore. It actually allows you to do the complete population because you're leveraging the next generation analytics capability. It involves us rationalising the property portfolio but fundamentally we call it cash hunt.

This part of the process doesn’t wait for three or six months until we've done the diligence - it's started already. It started day one. We are currently crushing the cost feud and we're actually going through where the key areas of opportunity are. This program of work is actually what helps fund the overall program because this is the low hanging fruit. This is the easy wins and its significant pools of cost, both in cost of goods in SG&A that our business can avoid and we'll be very focussed on avoiding it.

The next part of the program is slightly more complex. This is what we call to radically simplify. This is once again, bringing really a high quality lean process re-engineering skills to the fore and actually looking at every process we have in our business. We do this sporadically. I talked about the NBN journey or migration experience that our Dodo customers are having is a testament of the work our team has done in that area - that we [not grown] [unclear] in place, which is completely at odds with the rest of the category.

The reality is that we've got some of those skills in the business. We don't have them all through the business, so the opportunity - we've got a legacy platforms so we do things differently in different parts of the business. We are not optimised from a process perspective and we do a lot of things that we don’t need to do and we do them in different ways in different parts of the business. We have a significant portfolio of legacy systems. We have 12 customer networks. We need to drive that into a single customer network environment. We need to drive the portfolio of [50,000 odd] legacy broadband customers aggressively in into our primary brands to stop that headwind. We need to retire the [BSS] associated with those.

There is a significant opportunity for us to significantly improve customer experience and drive cost out of the business by radically simplifying it. That does involve stopping doing things that are not core - not just selling non-core assets but actually stopping business - looking at activities that just don't add value or consume working capital and stopping them from happening.

The last phase is really about optimising our Dodo market. [Unclear] go to market strategies, but could they be better? What are we doing to optimise cross-sell and upsell within our consumer portfolio? How targeted is our marketing activity? How effective is that marketing activity? Are we driving around a very, very simple product set into a core target market [unclear] our products that will resonate? This is really about making sure that everything we do to acquire customers and optimise your customer lifetime value is systematic, is comprehensive and is efficient and drives the best customer outcome, but also the best customer lifetime value for the group.

I've already gone to the next slide. This is to give you a sense really that this is a very, very comprehensive program. This is not just about cost. This is about cost. This is about margin capture from existing customers and in the market. It's also about improving working capital so it's looking at CapEx as a key driver of cash in the business. It's looking at our accounts receivable process, the way we can optimise the cash of the business debts and the cash of the business to pay for our supplies. It's looking at the non-core assets and the non-core activities that consume effort and create cost and complex in our business and exiting those things. Because you see this chart really shows that this is a very comprehensive program and it looks at all areas. It brings disciplines and tools to the fore and platforms that help us have visibility of these multiple initiatives and make sure we prioritise and make sure we can hold people accountable, and drive that accountability right down through the business with weekly [strengths] and a consistent review and post- investment reviews, it just helps us implement that discipline in bringing that capability to our business much faster than we could have bought it ourselves.

So what's that program look like based on our current view? We see that that optimised [spend] we believe there's cross [unclear] and SG&A circa $50 million worth of incremental earnings that we can generate through those activities. Clearly, we've got internal goals that are higher than this. This is what we believe is a view the shareholder can have confidence in. We'll be targeting a much more significant price because at the end of the day, we would prefer to outperform but there is $50 odd million across cost of goods - there's $1.2 billion of cost of goods in this business there's $430 million of SG&A. There's $70 million worth of network costs in this business. There's inherently significant complexity in all of that - there's huge pools of value for us to extract across that total cost of goods in this SG&A.

Radically simplify driving complexity out of our networks, out of our operating environments would leave us worth circa $30 million, and this is profitable. Sustainable growth is circa $40 million. Now I've described those - I don't need to go into them much greater. I think the point I want to make here is it's really important we get this right because like every other operator in this category, we've got headwinds. We see $30 odd million of additional NBN costs by FY20 so for us [it'll be] $90 million of run rate earnings, benefits for our shareholders by the end FY20, that we're going to have to go and extract $120 million to $130 million of costs and grow other pools of margin by that amount to mitigate some of those earnings headwinds.

Whilst we don't want to be reducing our earnings in the consumer division by $30 million, it doesn't get me any pleasure but it does give me some pleasure that that headwind is much less than our competitors. We'll publicise the earnings headwinds that our primary competitors face in that migration to NBN.

It's assuming about a $6 cost differential in terms of our input costs at NBN. Some of that will be mitigated by the work that Scott and his team are doing to take customers up the value stream and sell more of the high feed plans and bundle with [unclear] and energy and grow those margin pools, but we have to be prepared to lose that amount of earnings out of our business migrating customers to NBN. Pleasingly those customers lost lower margins, also a much lower churn so the customer life time value is not materially [unclear].

If you can get the execution of your digital only strategy or digital strategy right, you also have a lot less cost to serve those customers so on balance, those customers will be actually more profitable to the Group than our current copper customers in spite of that $30 million headwind. I hope that gives you a sense of where we're at on [IFC] and the transformation program, I'm now going to hand you over to Mark who is going to talk to you about the various things [going on] in the finance organisation.

Mark Wratten: Can everyone hear me okay? I'll probably just take umbrage to Geoff saying that the finance [dual] systems are largely the same - that's what he probably told me when I got interviewed but that's really not the case - that's also an opportunity obviously.

Look, before I start I'd just like to make mention of Kelly. Those of you in the room may not know but Kelly's moving on. Hence you'll see on our ASX announcement there's two people that you can direct attention to. I won't tell you where Kelly is going, she can keep you updated in that regard. Kelly started I think the day before the results last year, the August results last year, so she's been through quite a bumpy period, but I think the work that you've done Kelly has just been outstanding. I know that there's so many people in this room that you deal with on a very regular basis and you can probably all appreciate the level of effort that Kelly has put in to the way that we present ourselves to the external market - the quality and the transparency of our numbers. You started us on a great journey so thank you very much and I wish you all the best in regards to your next role.

I'd also like at the same time to announce that we've luckily found a replacement for Kelly who actually starts today. He's at the back of the room, Bill Frith. Some of you will be familiar with Bill because Bill's been in the IR community as well. He used to be my Head of IR when I was at Recall so welcome to Bill, you've got big shoes to fill.

Today, I'm going to cover three items. I'm going to give you an update on the Board's review of our potential asset sales, which we talked about at the end of August. I'll give you some more detail around our CapEx and where we spend it or where we're planning to spend it in FY18, and then I'll finish off with FY18 and an update on our guidance and then we'll go to questions.

In regards to the asset sales, as I said at our FY17 results, we talked about a Board review of our non-core Australian assets for potential divestment. In the intervening period, we have received further inbound inquiries in regards to assets across our entire portfolio, and in particular our New Zealand business. With regard to the Board's state of commitment to strengthen our balance sheet and better position the Company to fund our future strategic activities, we've today announced that our New Zealand business will be prepared for sale. We have appointed advisors and we forecast that the sale would be completed on or before the end of June next year. The Board has also progressed its review of our Australian assets and whilst not complete, we can advise that the Australia Data Centre assets will also be divested. We've also appointed advisors to assist us with that process.

The net cash proceeds from these divestments will materially reduce the Group's debt levels, and leverage ratios obviously, and will greatly enhance our ability to - or our strategic optionality as we move forward. We will update the market as those assets sales processes develop.

In regards to CapEx, I think since I've started, I'm to CapEx what Donald Trump is to Twitter - I'm on it totally, constantly. Every single day I hammer CapEx across the organisation. I don't get up at three o'clock in the morning mind you to think about it or write down notes but certainly it's a big focus of mine and will continue to be for a long time to come. We are continuing to work really hard on implementing robust controls and disciplines around our CapEx spend and are making good progress, but today I just really want to give you more of a colour around where we spend our CapEx.

I've used FY18 guided CapEx - we haven't changed that guidance - $190 million to $210 million and that's excluding the ASC project. You can sort of apply maybe a midpoint to the percentages that I'm talking about. In the first pie chart I basically split our CapEx into four categories being the Australian recurring and non-recurring CapEx, New Zealand CapEx and then IRUs - and further then breaking down the Australian non-recurring CapEx into three big categories.

The largest component is our transformation CapEx. In August we talked [to you] about $29.5 million being spent in FY18. The latest estimates are slightly less than that. Geoff just mentioned $25 million so maybe take that number. We would expect that transformation CapEx to continue for another one to two years beyond the end of this year albeit at lower levels.

Our detailed work over the next two to three months [with Bayne] and [would cost] the business should build out our estimated CapEx or future transformation related CapEx in more detail and we should be able to update you when we do our half year results in February.

In terms of other non-recurring, the NBN migration CapEx - that's predominantly to supply modems to customers migrating from our copper network to NBN in around $70 each. That CapEx spend is non-recurring on the basis that when we finish our migration program over the next two to three years, that CapEx should disappear. We are forecasting about $22 million of CapEx related - that's assuming all of [Scott's] current profit - customers migrate across and all of them need a modem of course - so that $22 million is probably at the very top end of what we'd expect in that regard.

The last item is the final CapEx payments on the North West cable system and Geoff spoke about that - that project is now up and running and connected. Any future CapEx that we spend on that project will be funded by customers - it will be really just to connect them to the cable.

Moving on to our Australian recurring CapEx, I've broken that down into three areas as well. The first is improvement and sustaining CapEx that we require across our business, particularly in regards to our network assets and our business systems. Whilst I've classified this as recurring, I would expect that over time our transformation program will help in reducing its spend as we standardise business support, operational and financial systems and consolidate networks and product offerings - that talks to the radically simplify point that Geoff made just recently.

The enterprise and wholesale CapEx spend is predominately fibre builds for new customers - that's linked to revenue growth. As mentioned by Mick in his earlier presentation, he is making great progress into reducing the spend and has introduced very strict cash payback criteria before new builds are approved. I'll therefore expect this CapEx amount to actually be lower in FY19 subject of course to CapEx that may be required for the bespoke contracts that Mick and his team continues to pursue. The consumer spend in this recurring CapEx section is really Scott's new customers that he signs up and it's really [CTE] associated with that.

Finally, I've given a breakdown really about IRU payments, which is predominately domestic capacity through Telstra and international capacity through Southern Cross. As Geoff spoke about when he talked to ASC, we believe that we can potentially avoid a large component of the international IRU

CapEx into future periods through the negotiation of strategic [swap] arrangements.

Finally on guidance, not much to say here. We're actually not changing our guidance from that that we gave at the end of August so we're continuing to guide to underlying EBITDA of between $370 million and $390 million and underlying NPAT of between $140 million and $150 million. The only guidance change on this slide relates to the FY18 ASC CapEx which Geoff spoke earlier and that's increased by US$4 million. Our guidance does not include the impact associated with any of those potential asset sales that I spoke about earlier, and as I said we will continue to keep the market updated as required in regards to those asset sales.

That's all I had. Now, I'm going to invite Geoff back up onto the stage and we can take some Q&A.

Question: (Eric Hamm, JPMorgan) Good morning, Eric Hamm from JPMorgan again. Just firstly on the ASC - the prospect you talked about of 20 plus, are they mainly interested in making dark fibre or the services? Can you sort of size the potential difference between leasing out the project as dark fibre versus selling [as lit] services? Then how many of those cornerstone tenants would you need in order to make a positive return on a project overall?

Geoff Horth: For the first part of the question, there are no dark fibre sales in the system. We're not offering up any of the pairs - any of the four pairs in the system as a - or portions of a pair - we're talking about - we are doing fraction [spec trum] deals so we are talking about a lit deal. There are some of those scenarios where the purchaser may get access to [unclear] or they may actually be purchasing potentially half a gig of - a half T of capacity, [and that] as the electronics improve for the cost of the CapEx to improve the total capacity of the system, they may get access to that incremental capacity in some circumstances. Other circumstances we're just dealing with straight capacity offtake arrangements. In some circumstances we're dealing with cash settled swap arrangements where we will see cash up front to provide capacity and then settled cash in the future to swap for other routes when those routes are ready for service. We'll do that if it has advantages to the Group from a diversity perspective or capacity to other routes that we need access to.

Yeah, so there are a variety of different scenarios but none of those involve us trading dark fibre if you will on the system. We think that the future value of selling a lit service is actually important to our shareholders in this instance.

To what extent do we expect all those current cornerstones to reflect in the internal rate of return - we don't have a fixed view in terms of just calculating the rate of return on that investment purely on the basis of the cornerstones. We're using a combination of - clearly that system will have an [unclear] - will have even in the cornerstones - they will be paying some value up front for capacity over time or realise those revenues over the life of the system. Those customers will also generally pay O&M charges for that capacity and we'll sell lease capacity into that lease market. We feel very confident that there will be a healthy internal rate of return for our shareholders in aggregate from the deployment of that system.

Question: (Eric Hamm, JPMorgan) What's the rate of return that you're looking for and…

Geoff Horth: Yeah, it's an internal rate of returns. [Unclear] obviously that something that the Board has a view on but we believe that clearly it needs to meet certain hurdles. It's not something that we publish today but we remain confident that [we will have a] number of variations or cases and even in the low case, we make certain aggressive assumptions around presales and leasing arrangements over time. We're comfortable that the internal rate of return is acceptable to our shareholders and that internal rate of return does not capture any of the benefits to the Group or the [Board in] CapEx through strategic swap arrangements. The balance of the Board is very happy with the potential range of potential returns for the Group plus the strategic value - with the overlay of the strategic value of those potential swap arrangements for the Group.

Question: (Eric Hamm, JPMorgan) Can you give us an idea of how many more months are you expecting to get over there [unclear] for these eight perspective tenants?

Geoff Horth: Yeah, I think there are various scenarios depending on the customer. We've got customers that we'd expect to be contracted between now and Christmas, like in full documentation but that process is obviously subject to their processes. We are dealing with large globalised [unclear] in some circumstances but almost exclusively with significant multinational companies, whether they're carriers or they're [OPTs] so [unclear] that contracting process - we've got [agreed] heads with some of the those customers that will make the actual contracting arrangements easier, because most of the commercial terms have been defined, but we'd expect that some of those customers will have been contracted between now and Christmas.

Question: (Eric Hamm, JPMorgan) Thank you.

Question: (Sameer Chopra, Bank of America) Hi, Sameer from Bank of America - just two questions. One of the 10 projects that you laid out, which is the one that delivers the single biggest benefit? Is it [Contact Hannah, Second Sea, is it

OSS, North BSS] - I'm just trying to understand which is the one we should focus on.

Geoff Horth: Well, it depends on whether you ask Mick or Scott. I think there's a healthy level of resource contention we could expect. I think there's probably four or five programs that I'd categorise as the key ones. Mick will tell you that their [reach] which is the [voice platform unification] is critical for him - it would be his number priority. Secondly, would be [Esposito] which is contractor cash so that - and I'd agree with him - I think those two things in combination - making sure that we optimise the customer experience from the time they placed an order to the time we deliver the service, removing as many touch points as we possibly can, automating as much of that customer journey as we possibly can. It will remove a lot of costs on our business but it will also help us to realise very [clearly] learning revenues sooner - to getting that [unclear] cash timeframe down was very critical for Mick.

For Scott obviously the Contact Centre program is a critical program. I think we're just about done on the NBN migration automation migration - it's well advanced. Then his digital shopfront, what's that called - what's that project name - I've forgotten about it. [Unclear], yeah which is actually building the digital front end. A wholly automated digital journey for all of our customers is obviously a critical one for Scott. So moving us from that legacy [a Telco] phone based support model into a purely online sign up and support model, is a critical objective for Scott. They'd be the four or five.

Within that, there's obviously some areas that we want to improve - network quality. So beyond the operating divisions - [unclear] the picture about bringing - unifying our underlying customer infrastructure and then putting the orchestration layer over the top of it so we can move [unclear] upon networking and those sorts of solutions are really critical projects as well. I think that would be my top - you said top two or three - it's probably six or seven but that's where I'd say the priorities are.

Question: (Sameer Chopra, Bank of America) Geoff, what's the Company's headcount migrate now? You've got a bunch of growth initiatives and at the same time you've got the cost reduction.

Geoff Horth: Yeah.

Question: (Sameer Chopra, Bank of America) As you [unclear] towards the end of this year and next year, is your sense the business is going to add headcount or reduce headcount?

Geoff Horth: Oh, I think if you're counting the total organisation, we talk about headcount Australia and the Philippines- I think you'll see that the overall - the aggregate number of people working in the business will decline. But the mix of - the types of skills that we have in the business and the things that they're focussed on will shift obviously. We'll move more to online and self-help and more to Live Chat as a support mechanism versus sales. We're investing very heavily in [unclear] area in terms of recruiting sales people.

I think at last glance, 70% of all of our open roles for recruitment today are actually [unclear] and wholesale and the vast majority of those are sales roles. Clearly we want to invest very heavily in that area to go and grab that share, but yeah our aggregate headcount will decrease in spite of those investments.

Question: (Sameer Chopra, Bank of America) Thank you.

Question: (Jonathan Koh, Greencape) It's Jonathan Koh from Greencape. Geoff, just in terms of the [existing] consultants, can you talk a bit about how you are looking to align them just with respect to I guess the benefits that they're looking to extract for you and how you're thinking about just ensuring that you actually are able to extract those benefits.

Geoff Horth: Yeah, I think we went through quite a comprehensive process with this - with our contemplations around getting some external support in. We actually sat down as an executive team, formed our own view of the size of the prize and said do we know everything we need to know? There's a huge opportunity to capture value for shareholders here. Have we got all the skills in place? Has anyone ever done this before?

We decided that it was appropriate that we make an investment in actually derisking or in probably improving our prospects of being successful - that transformation. I went through all the models. I went from the second tier, third tier] firms, [unclear] accounting firms - we looked at the tier ones and a number of them. What I found was that I think the capability of the people who were appointed was second to none. Their fit for the organisation culturally was very, very strong and the commercial model that we're able to implement that meant that our interests were 100% aligned. I think that for me was - finding the balance between getting the best in class capability but also having a model that means that we're completely aligned was probably for me the key determining factor in appointing the people we appointed.

I'm not allowed to name - yes, I'm allowed to name them now because I have [unclear].

Question: (David Prosser, Shaw and Partners) Geoff, just a question - it's David Prosser from Shaw and Partners. Before your result last year on 23 August you said the NBN cost for the CVC was $18 million.

Geoff Horth: [Unclear].

Question: (David Prosser, Shaw and Partners) That was for 110,000 [unclear] NBN. [Unclear] I just don't understand why that NBN number is not $54 million instead of $30 million - like [unclear] doesn't make any sense. first question.

Geoff Horth: Yeah, so you could probably do a quick back of an envelope calculation to look at that and say where did they - we're forecasting the - by the end of FY20, the vast majority of our current NBN copper subscribers will be on the NBN. There's a margin differential today which is most entirely driven by the increased cost base of about $6.00 per subscriber. If you take $6.00 per subscriber and do some - and it's not the way we've done that calculation but just do some very basic math on 500,000 broadband subscribers, then you could come up with a number that's circa $36 million to $40 million of reduced margin on the basis of that cost. You'd have to take off what CVC costs we had in FY17 so it's the headwind between the end of FY17 and the end of FY20 is circa $30 million.

Question: (David Prosser, Shaw and Partners) Yeah, okay, that's fine. I think that still doesn't make any sense. Ether the 18 is wrong or the 30 is wrong.

Geoff Horth: Yeah, I'm not sure where you're getting 18 from.

Mark Wratten: Yeah, it's from our full year results but as I said to you outside, what's not in that slide was the cost that we're avoiding as we move people across to the NBN. We've got third party access costs that gets taken out so it's not an incremental cost. We'll have to probably detail it obviously in a bit more detail and set it out for you guys next time around.

Geoff Horth: So it's actually not just CVC, it's the total cost of delivering a broadband service - the differential between copper and NBN. So the [ABC] - the average [ABC] of an NBN customer - if they were looking at an access cost in copper, but the vast majority of the backhaul and transit are bundled into access in a Broadband world. So you're going from a higher access cost to a lower access cost - the more CVC, the aggregate being a greater cost per subscriber of circa $6.00 per subscriber.

Question: (David Prosser, Shaw and Partners) Alright, another question which is a probably bit harsh as well. Vocus has got a bit of history - if you pull up slide 33 there - of counting those green bars but not counting the red bars.

Geoff Horth: Yeah.

Question: (David Prosser, Shaw and Partners) So is there any red bars that are missing from that slide? You called out one before about the fixed line - well at least I assume [unclear] disappear. How much is that?

Geoff Horth: Yeah, I suppose that's where we talk about that - we think that the margin capture opportunity is greater than the $40 million we put in that slide. So that capture market share and grow our pools of margin - we're taking a net view of that so we're acknowledging that we'll have some fixed buoys to climb in the Commander business. We won't capture all of those customer migrations that - consumer actually has some fixed only customers in there as well - that in aggregate is captured in that but I think it's important given the visibility of NBN and the relevance of it, that we call that out specifically. The biggest headwind the business has by a longshot and everything else was captured in that net view of the margin capture opportunity.

Question: (David Prosser, Shaw and Partners) The transformational program - are there any P&L costs from that [flow through the] P&Ls [or anything]?

Geoff Horth: Yeah, absolutely. Those costs are obviously our internal costs of executing that - in terms of restructuring chargers. There are external costs associated with it but we'll let you know what they are but we won't be calling them out as below the line and we won't be reporting them as - the underlying EBITDA methodology is dead and buried I think it would be fair to say Mark - so any of those costs we expected or we're capturing or forecasting to achieve benefits and have cost to achieve to benefits in our FY18 guidance.

Question: (David Prosser, Shaw and Partners) Thank you. Can I just ask one other question - why New Zealand? You would have had the choice between maybe pushing back or getting out of ASC project as a way of also reducing debt, why New Zealand? Because New Zealand's growing rate now [unclear] that we've added customers.

Geoff Horth: Yeah, it was a challenging decision. It's a great business, it's in good order. It has really good quality aspects, a great brand, it has an excellent management team - a really, really highly engaged group of people and you just see it's a live business in the context of the New Zealand market. It's agile and it beats its competitors hands down by its ability to react quickly and be innovative. It was a challenging decision but it was one that the Board made collectively, looking at [clearly post] and through the private equity practice and post the private equity practice.

We've had a number of approaches from perspective acquirers and we'll look at that landscape and [unclear] with significant opportunity to deliver real value for our shareholders and to take pressure off the balance sheet of the business and reduce Group debt and leverage levels and actually invest in what is arguably a bigger opportunity. That bigger opportunity is the Australian landscape where we have a much lower share of market but we have a significant bigger prize in terms of transformation. The vast majority of - in fact almost the entirety of that transformation opportunity we're calling out, the cost line is actually able to be realised in Australia.

On balance the Board formed the view that it was in our shareholders' best interests to take the pressure off the balance sheet and free up cash flow to allow us to invest in what is a larger opportunity to create value for shareholders in Australia.

Question: (David Prosser, Shaw and Partners) Just these approaches that happened in both the private equities, were they concentrating just on segments of the New Zealand business or the New Zealand business in its entirety?

Geoff Horth: Oh, every approach we've received was in respect to the entire business. We wouldn't entertain a piece meal sale of the business. I couldn't envisage a situation where we would do that.

[Unclear]lost him.

Question: (Fraser McLeish, Credit Suisse) Fraser McLeish from Credit Suisse. I think you've answered this but I'll just double check. The $40 million of the dry profitable and sustainable growth, is that kind of capturing all your other growth kind of opportunities as you see them, or is that just the ones to do with the transformation projects?

Geoff Horth: Oh, it's a combination so they're obviously opportunities as we see it to improve the profitability of the portfolio we have today. It's also acknowledging that we could be better at the way we go to market and we'll target it in the way we package our products and be better at our cross-sell and upsell to existing customers. So it is a proxy but where we feel like the net margin growth opportunity is for the business - both through transformation and transformation invariably when it's a whole of business transformation does impact the way you go to markets and that's in combination with [a lead of] opportunity to - a conservative view of the opportunity to grow a margin in the business.

Question: (Raymond Tong, Evans and Partners) Raymond Tong from Evans and Partners. Mark, can you just give an update on how the cash performance of the business is tracking in the first quarter. I think you're expecting 85% to 90%.

Mark Wratten: Yeah, over the full year and certainly that will improve as we go through the year. The first quarter is not as good as I'd like without a doubt but I think we'll catch up a lot in the second quarter. So yeah, I haven't changed my view on the full year in that regard.

Question: (Raymond Tong, Evans and Partners) Thanks and just also [unclear] an update on the implementation and migration of the new finance systems - ERP, CRP how are they going?

Mark Wratten: Yeah, so the CRP is up and running. We've been reporting to Geoff and myself and the Board in that new platform from July, so that's great. Now we're just enhancing it and building it out so all of our budgets are in there et cetera. One of the guys instrumental in that is on your row, [Simon] so he's done an awesome job in that regard. ERP migrations - we migrated two of our platforms - or sorry two parts of the business group services in New Zealand fully into the Pronto environment on 1 July. We've got now - the big project is to move the whole of Mick's business into One Pronto environment, hopefully by 1 January - probably might [unclear] month or two but he's currently in [3ERP]. So that's the focus and then also implementing things like fixed asset registers across the whole organisation, the procurement modules which fits in with the transformation, project management modules - so all of that planning and implementation is well advanced.

Question: (Raymond Tong, Evans and Partners) Thanks.

Question: (Andrew Levy, Macquarie) Thanks, Andrew Levy of Macquarie. I might have missed it just in the context, but the [Bayne and Co] engagement or the management consulting engagement that you put in place, is there an [unclear] to sit by the numbers are on [533] in terms of the aspirations for the transformation program.

Then I'm just also trying to understand the granularity that you've got between projects - going into the [buckets] that you've broken out.

Geoff Horth: Yeah, I think the appointment of our advisors is - we're about four to six weeks into that so they've actually had an outside-in view of the business and we don’t want to work internally building a bottom up case through - in terms of our own work to try and validate those benefits. So it is a combination of their early work or their removing hypothesis plus their outside-in view and our bottom up work - so yeah, that work is reasonably well formulated. It's a combination of inputs but it will definitely improve - or the maturity of that will improve and we'll be able to provide more context as we go through this.

You'd expect to see that as a consistent part of our reporting for the business in terms of tracking against that program of work. You should expect to see that fall to earnings as we report it. We will definitely give you some more census to the cost to achieve and the time to achieve or phasing of those benefits as we consistently report over this financial year.

Question: (Andrew Levy, Macquarie) Okay just one other quick one. You sort of got the dotted line for the AFC for the Port Headlands there. I'm just wondering what that would cost to build if you progress with it and if you're anywhere in terms of thinking about the discussions if some of these assets sales go through. Then also what else are you [unclear] aspirational to spend money on if you didn't have any balance sheet constraints down the track.

Geoff Horth: Oh, I think we've got lots of opportunities to investing growth in our business but I don't see at the moment that North Headlands [unclear] would be one of those opportunities. There's obviously an opportunity to create the Western Ring for our private network. As you know it stops at Port Headland [unclear] hook up and connect to Geraldton so there was an airgap in the network there. It would be - in terms of the resilience of the network and to create that Western Ring to go with the Eastern Ring would be compelling but it's not something that we could justify spending US$50 million odd to do - unless there was a significant and compelling customer case to do so.

It's not out of the question, there are potential developments in that area that could help justify that investment but it would clearly be something that would need to be underpinned by clear customer commitment.

Question: (Andrew Levy, Macquarie) More generally, in terms of you talked about freeing up capacity in your balance sheet and wanting to invest in Australia, are you referring to the projects in the business plan as you've discussed today or are there other projects that maybe you could just give us some ideas or some thoughts on that should you have the flexibility you've been looking at.

Geoff Horth: Yeah, there are invariably a lot of opportunities in the development pipeline for a business like this and it's particularly one that has the quality of the network that we have, an international connectivity that we're building today. I can't touch on those because they're obviously very sensitive conversations that we're having with government agencies and large corporates and a whole host of potential parties but we definitely see that there is potential for us to develop other elements of our network. That would obviously all be subject to the there being clear customer demand and a clear return on that invested capital for our shareholders.

Question: (Andrew Levy, Macquarie) Thanks.

Geoff Horth: Kelly, did you want to - oh sorry.

Question: (Andrew Levy, Macquarie) Just on the $110 million in IRU savings you called out - are they predominantly future costs that you're avoiding or are you expecting some reduction in the costs you've made today? Then just on the

	$90million in [net benefits by 20], give us a sense of what's actually based in today's [unclear] guidance out of that figure.
Geoff Horth:	Yeah, so the first question - that $110 million in avoided CapEx is reasonably - what's the best way to explain it - you understand what our international Cap IRU CapEx is in FY18 because it's been split out now into that CapEx chart. We would be avoiding the vast majority of our current CapEx spend. It's not avoiding incremental spend so you'd expect to see a significant reduction in a material reduction in the amount of international capacity we're buying in the market. So it's not that we're going to avoid it increasing, it's we're going to avoid the vast majority of what we spend today. The second question was the benefits to FY18. We see that as - we've clearly got - we believe that the program will be net neutral to earnings in FY18. So we have some costs and restructuring charges and other costs associated with the program that were [baked] into our FY18 guidance and some additional charges we're now incurring to accelerate that transformation program, but they will all still deliver our - they'll be neutral to our FY18 guidance - so the vast majority of what we're calling out there will be incremental to our FY18 EBITDA result.
Question:	(Kelly Hibbins, Investor Relations) Eric Choi from UBS wants Mark - if you sold the New Zealand asset, what would that reduce the Group's OpEx number and Group DNA by?
Mark Wratten:	I couldn't tell you off the top of my head in terms of the DNA and…
Question:	(Kelly Hibbins, Investor Relations) [Unclear] the same in Australia so…
Mark Wratten:	Oh the Group [OPEC] - yeah, the [175] - yeah, well I mean New Zealand is a very independent business - hardly any of that [175] is relating to the New Zealand business so it wouldn't reduce that materially.
Question:	(Kelly Hibbins, Investor Relations) Another one from Eric - figuratively thinking about the potential New Zealand buyers as one financial buyer , one private equity, two other verticals, three other Telcos - if it's is the latter, what are the competition [unclear] /regulators [unclear].
Mark Wratten:	Is there item four - all of the above? It's very early in the process Eric so I really won't comment in regards to the opportunities that we've had thrown across our desk at this point in time.
Geoff Horth:	The Board would obviously be [unclear] of any potential regulatory impediments [to] a strategic buyer and we take that into consideration before - potentially even allowing a bidder into the process.

Question: (Kelly Hibbins, Investor Relations) One from Craig Wong-Pan at Deutsche. You've retained FY18 consumer revenue guidance of mid to single digit growth, however this looks [challenging] in giving NBN and ARPU declined and overall broadband [SIOs] on an increase by 2000 in the first quarter. Can you explain what is expected to change to allow you to achieve your consumer revenue guidance?

Geoff Horth: Yeah, I think it's a very good question. There's obviously assumptions made around growth in that portfolio over the course of the year and that - clearly as we migrate more customers to the NBN with a lesser churn headwind, so that will help us support our growth in the broadband portfolio and as the legacy brand portfolio decreases, we'd expect to see some benefits there as well. The energy portfolio - we'd expect it to be flat for modest growth but obviously significant price increases happening in the energy portfolio will contribute to the revenue growth objectives - so we don't have any reason to refine our view on the current segment guidance at this stage.

Question: (Kelly Hibbins, Investor Relations) Another question from Eric that I think we've sort of answered. For the circa $30 million NBN headwind on slide 33, what is the number beside the [unclear] as they transitioned into NBN? One off [CVC] cost and loss [unclear] revenue in this number - outside consumer [grade] are we still confident NBN will have no negative impact on Commander?

Geoff Horth: That's quite a few questions within that question isn't it? I think we've probably explained the NBN margin implication for a consumer customer. We believe some of those increased costs we'll be able to mitigate through improving the driving customers into the higher speed tiers but there's clearly risks around that - some early wins.

In terms of Commander customer migration, I think we touched on that before as well. The reality is that it is an area of the business where we see] significant revenue compression. As you migrate customers from a legacy voice and broadband portfolio, where they might have three PSDN lines and a DSL service, buying copper access and that access could cost - so typically a customer might cost us $120 today. When we migrate that customer onto an NBN plan and our input cost becomes closer to $50, than clearly there's going to be significant - there's a significant reduction in our access cost base and there is a resultant reduction in the customer charges.

I think we still remain confident that moving that customer onto the lower cost base and managing all their services on our own network and delivering the voice ourselves rather than as a leasehold service, I think we remain confident that we can preserve the dollar value of margin per customer, but clearly it will have a pretty significant compression of revenues in that portfolio.

Question: (Kelly Hibbins, Investor Relations)The next one is from Roger Samuel at CLSA. It looks like the New Zealand business is performing well - actually I think you've probably answered this.

Geoff Horth: Exactly right yeah.

Question: (Kelly Hibbins, Investor Relations) So why focus selling the business by the end of FY18 and are you selling both the consumer and the legacy [FX] networks?

Geoff Horth: [Unclear] business. I think we've answered the question about - I think we've probably answered both of those questions. It's not a legacy FX business - as I said Mark and the management team have done a spectacular job of integrating those businesses. It's a great business and as a consequence it's highly sought after but I think I've - you shouldn't consider it as the legacy FX business in the old consumer business - it's a single business and a single management team and a very dynamic and high quality group of people and high quality assets, so I think that probably sums up [unclear].

Question: (Kelly Hibbins, Investor Relations) The next one again from Eric Choi. [Unclear] Mark, maybe penalising the ACSs CapEx but not giving you the revenue uplift from one to FY19. So can you tell us if there's an historical metric that still hold true, the first one being [IRR] target previously 25%, the second one being presales - previously US$200 million plus and extensive trailing on end revenues not disclosed previously.

Geoff Horth: Ask those questions again sorry. The US$200 million of presales, 25% [IRR].

Question: (Kelly Hibbins, Investor Relations) [ ].

Geoff Horth: Yeah, I think we probably need to talk to [unclear] we've obviously got an internal target range for a rate of return on that project. It's understood by the Board and we're still confident that we'll be able to [unclear] internal rate of return whether the presales environment is as strong as it was pre the announcement of the competing system. The reality is that we believe that there is a - even amongst existing consortium members of the other system - there is significant interest in purchasing capacity and we remain confident that we are very strong flow of customer orders and a health rate of return for our shareholders.

We're just about done because I think we're out of time.

Okay, thanks very much. I might just quickly wrap it up and thank everyone for attending today and for everyone joining us on the webcast. I hope that today we've given you a bit of a sense that this combination of assets and the strategic rationale for the combination of these assets is intact, as we've created a very compelling and powerful force in the market - there's no doubt about that. We've clearly not executed that as well as we could have and the consequences and results to shareholders are unacceptable and we're very, very focussed on addressing that.

The quality of assets we've assembled are very, very high though. I think they were recently described by someone as irreplaceable and I echo that. The assets that we have today and the infrastructure we have on the ground no-one could justify building again and are extraordinarily well leveraged to this growth and demand for connectivity and when you've got a class of assets that leverage to a strong macro today like that, then you just need to executive well and that's clearly going to be our focus in this business.

We see significant opportunities to go and capture share in o ur core target markets and we're very, very focused on that market share capture. You would have seen through Scott's presentation with the growth in our NBN portfolio. You would have seen through Mick's presentation with the success we're having in the government market and some early wins in the carrier presumably carrier both domestic and international as well. We see big pools of margin there, great opportunities to capture that.

We have a significant cost base. One of the benefits of the legacy that we've inherited or that we've created is clearly - there was a significant amount of inefficiency in this business and big pools of costs for us to target. Huge levers of cost of goods and SG&A and we'll be very, very focussed through our transformation program of getting those costs. So if in combination we can grow the margin pool and we can address the cost base, we can get the sort of disciplines that are required around our CapEx and our working capital - and you'll see through Mark's presentation that the opportunity to avoid CapEx is real in this business. There is a significant amount of our current CapEx that is not recurring. To grow the margin pool, reduce the cost base and we avoid a significant amount of the Group CapEx. Over time we can deliver outstanding returns to shareholders.

We've assembled a group of people who are absolutely capable and completely committed to delivering for our shareholders and I look forward to standing up in front of you in the future and actually demonstrated that that’s what we've achieved so thank you once again for your time.

[END OF TRANSCRIPT]