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Operator: Thank you for standing by and welcome to the Vocus Group interim results briefing. All participants are in a listen-only mode. There will be a presentation followed by a question and answer session. If you would like to ask you a question you will need to press the star key followed by the number one on your telephone key pad. I would now like to hand the conference over to Mr Kevin Russell, Group Managing Director and CEO, and Mark Wratten, Chief Financial Officer. Please go ahead.

Kevin Russell: Thanks, Brianna, and good morning. Thanks, everyone, for joining us today. So just in the room here with me, Mark is here, CFO at Vocus, also Andrew Wildblood who is five weeks in and heading our Enterprise and Government, and Vic McClelland as well who is our Chief Technology Officer who joined us in September last year.

So we've got a pretty long, detailed presentation which we will cover at a high level, but I'm hoping the extra content we'll put out today will be informative as we go through investor meetings over the next couple of weeks. The higher level [unclear], I just want to share some thoughts on the half, I then want to share detail on the actual reset at Vocus. Mark will go through our financial results and I'll just close with some final thoughts.

So I talked to the August results and just my initial reflections coming in and I just want to repeat them as they're every bit as relevant today. So just to reconfirm how we are thinking, this is a three-year turnaround at Vocus and our focus is on value creation in the medium term. It's very clear to me that our growth potential is greater than we have challenged ourselves to realise, and our target, our core target is to double our revenue from Enterprise, Government and Wholesale over the next five years.

As a challenger, our culture and our technology must be critical differentiating enablers, and finally, this is not a big cost transformation program, cost management is just a core part of our DNA. We have been busy and we have acted with purpose. I will be clear, we are prioritising what I would call the key foundational pieces.

So just to go through what we've been doing, board renewed, organisation restructured into three distinct business units, we have comprehensively rebuilt the leadership team and the rem structure, very much focused on the three-year turnaround and value creation targets. Our Company values have been launched. The Australian Singapore cable is launched.

The Optus NVMO deal, which I will talk about later, has been renegotiated and set and then we have worked through strengthening and extending our secure network capability, and finally and critically getting our network consolidation program off and running.

So finally, I would also add in, I think we've got a lot of clarity now on where Vocus is going and just overall this turnaround is well and truly underway.

So in terms of our financial performance over these six months, the results are mixed, consistent with the current operation reality of the business. Sales in Vocus networks, and that's our Enterprise, Government and Wholesale area have been strong, but the growth rate has been mitigated by bottlenecks in provision and more significantly, higher-than-normal churn.

In Consumer we're making good inroads on cost, but we have significant structural revenue declines in both consumer and business segments. Overall balance sheet management has been excellent. So Mark will walk through those in detail in a couple of minutes. [Unclear] I know as the leadership aligns and [unclear] settle, our execution will be stronger and it will be more consistent.

I want to really take a bit of time just to better clarify what reset in Vocus practically means. So what has actually changed, or changing, and why is it changing? So we have restructured into three distinct businesses. Firstly, Vocus Networks comprising two core areas, our go-to-market support teams for Enterprise, Government and Wholesale, and then our Infrastructure and Operation teams include network and technology.

Tech and Business unit, Vocus retail comprising both our consumer and business go-to-market teams, operation support and they also have their own dedicated IT technology capability. Thirdly, our Vocus New Zealand business, well-established, well-run, no reset or restructure here. This is a business that is performing well and growing strongly.

So three separate autonomous businesses with key leaders incentivised with the same overall Vocus group LTI. This reorg is largely done; we are targeting to complete full cost allocation by business unit for our year end reporting.

Next, just a clear recognition that our fibre infrastructure is our core asset and our best platform for value creation. Strengthening or capitalising this platform is clearly where our dollars must go first. The key components to our fibre infrastructure is laid out here in order of strategic value. We recognise the value of the metro fibre, but we believe that that is an increasingly served and competitive market. Our leadership and differentiation primarily lies in our combined national, regional and submarine cable capability.

Our core assets are very good, but we're now focused on opportunities to leverage greater value from them by incremental investments. So just some examples to try and bring this to life. We have a secure network, secure NOC and secure provisioning team. This secure capability is being invested in right now to expand the market opportunity, and while doing that we're expanding geographic reach and service breadth.

Secondly, we are reviewing a number of adjacent strategic builds including leveraging our regional network to help solve regional 5G backhaul, connecting the Australian Singapore Cable and North West Cable through the Scarborough Shelf and then also looking at connecting our North West Cable up into Southern Indonesia.

Thirdly, opportunity to just broaden our international assets through leveraging our ASC into strategic swaps and that helps us both in international reach and also improves diversity. As the need for fibre grows, it is crystal clear that our assets are well-positioned and we can leverage a lot more for them.

We're also being clear on the priority markets where we can lead and differentiate. Gaining future share is not just about being cheaper; we have to deliver value, best-in-market experience and outperform here with network leadership or differentiation. So again, some examples to bring that to life, I just talked about our North West Cable and the opportunities for that cable to run through key areas in the Timor Sea and through the Scarborough Shelf, open up good opportunities in oil and gas and also into [some open] mining.

Our secure capability will be expanded, broadened, and our push into state government we believe is stronger and also our opportunity to go broader and deeper into Department of Defence and Defence industries. In this our Singapore cable is clearly lined up with our opportunity with over-the-top players, and again I'll repeat, we are very well-positioned to help service solutions for regional 5G backhaul.

[Predictability] is also clearly key to unlocking these markets and we are investing accordingly. This alignment of markets with our network capability is a critical reset that will enable us to double our Vocus network revenue by 2023.

We are looking at fewer programs, bigger opportunities and bolder opportunities and we are building the capability to play smarter as a top [unclear].

On technology, we have legacy to deal with. We have eight BSS stacks, six networks. We now have a clear plan to simplify our systems and consolidate our networks. The challenge is complex, but the financial prize we aspire to is simple. We want to double Vocus Networks' revenue by 2023. We want to deliver a net annual OpEx reduction of $30 million in our infrastructure and operations, and we want to remove $30 million of annual inefficient CapEx. We want to do all of this from our existing CapEx envelope. The opportunity here is significant. So we will try and share our - we will plan to share a detailed program, including milestones, timelines, in an investor update in the middle of May.

Turning to Vocus retail, challenges are clear; however, we believe we have some great assets, the right team and the opportunities to grow this business. In particular, I want to highlight our new MVNO range with Optus, it is designed to help us scale aggressively and profitably in mobile and to enable us to capitalise on future opportunities in the 5G applications for small business.

This [reset] partnership is absolutely foundational to reshaping Vocus retail and rebalancing us away from our reliance on fixed.

We are in a major three-year reset of role, opportunity and capability for Vocus retail. We recognise the reality that NBN is an economic challenge to the consumer market and our strategic focus has shifted to mobile, including future 5G and we hope fixed wireless. We believe that Optus has the right strategy to monetise 5G and we are keen to partner with them to realise that strategy.

Finally, people. Any turnaround is always about leadership change, capability and mindset. We have comprehensively rebuilt the broader leadership team. Nineteen senior executives have left, 19 have joined. We have done it quickly, we have done it smartly, and with a clear focus on the capability we need and the culture we want. I believe the team is of the highest quality in the marketplace and time will tell whether I am correct in that assessment.

Hopefully, some valuable context on our thinking and where we are heading in this turnaround. I would now like to ask Mark to walk us through the financial results.

Mark Wratten: Thank you, Kevin. Before I commence, I will remind everybody that in addition to this presentation we have also this morning published our statutory 4D and half year financial statements as well as our operational and financial review documents, and they contain more detailed information covering our group and the operating divisions.

Starting with Slide 14, overall our half year results are in line with our internal expectations of performance in what is a reset year for Vocus. Later on, I will cover in more detail each of the operating divisions, so for this slide I will just cover our high-level results.

First half revenues were slightly above those of the prior period. Revenue growth in Vocus network services and New Zealand was offset by declines in both Consumer and Commander divisions. Our underlying EBITDA, and these numbers are adjusted to exclude non-cash share-based payments, was down 7% and was most impacted by the decline in the Commander business. EBITDA margin decline was mainly due to the impact of the lower margin project revenue in Vocus Network Services, as well as the growth in low margin, or lower margin, wholesale NBN revenues.

Underlying NPAT reduction was driven by the EBITDA decline, coupled with higher D&A expense and finance cost expenses. Pleasingly, our first half cash conversion was strong at 98% and this was assisted by the receipt of a large up-front payment associated with an IRU sold on the ASC cable system. Sustainable levels of cash conversion are in the 90% to 95% range which I have previously mentioned.

CapEx in the first half was tightly managed and we continue to improve the processes and controls around this area. Our net debt and net leverage ratios have both increased during the period due to the funding required in the first half to complete the ASC project. Net leverage ratio at December of 3.08 has now peaked and we should see the business start to deleverage to below 3 times when we get to report our full year results in August of this year.

I will not spend too much time on Slide 15, as I will cover each division individually in the coming slides. From a revenue bridge perspective, the increase in revenues in Vocus Network Services and New Zealand were offset by declines in consumer as I have previously mentioned.

Note again that the EBITDA on this chart excludes non-cash LTI. In the first half of FY19, costs of $5.7 million were expensed in the LTI plan cost versus $0.7 million in the prior period, so a $5 million differential, that's why we've excluded it. The increase is due to the new LTI plan introduced late last calendar year which Kevin mentioned at our full year results last August which we again tabled at the AGM.

We can see the Vocus Network Services and New Zealand EBITDA growth was offset again by the decline in the Commander, which reduced in line with its revenue decline. In addition, increased costs were incurred in what we now call our Infrastructure and Group and previously referred to as Group Services in past reporting.

From increased investment in technology resources, there was also an unfavourable impact of non-repeating benefits that we enjoyed in the first half of last year.

Our Consumer division managed to keep EBITDA relatively flat against a large revenue decline due to significant cost-out initiatives, and I will talk more about that shortly.

As mentioned in my earlier slide, our net debt and gearing have both peaked in the first half due to the funding of ASC. The majority of that CapEx is now incurred and with our more predictable cash conversion of the 90, 95% range and continued controls around our CapEx, we should see the business start to deleverage in the next six months and further into FY20. All of our bank covenants are well within limits and our new facility is providing us the flexibility that we require.

In regards to CapEx, it was dominated in the first half by the $133 million of cash CapEx we spent on the ASC cable system, and we have another $8 million to come in the early part of H2. Overall, this project has come in around $10 million under budget due to strong project management and favourable edging strategies employed by our treasury team.

Our business-as-usual CapEx at $73 million is expected to increase in the second half as projects ramp up; however, we still guide to our full year CapEx between $160 million to $170 million.

Our D&A expense has increased against the prior period, mainly due to the completion of the ASC cable system which we have started to amortise and our full year guidance on D&A is unchanged at between $160 million to $165 million.

Now, turning to divisional performance, let me start with Vocus Network Services which is our Australian Enterprise, Government and Wholesale business. Revenue growth of 27% was driven by large project revenues, predominantly driving the construction of the Coral Sea cable system. This project is scheduled to be completed in December of 2019, so we will continue to see material project revenues in the second half of this year as well as the first half of FY20.

Looking purely at our recurring revenues, Network Services delivered a 6% growth on the prior period. Revenue growth was driven by the accelerating momentum we have built up in our sales engine, further helped by investment in sales resources. Revenue growth includes new revenue drives in Q2, post the successful launch of the ASC system as well as growth in wholesale NBN.

Our strong first half sales performance however was impacted by a higher than normal churn as Kevin mentioned, due in part to end of some legacy next gen contracts as well as industry consolidation. Price erosion has also negatively impacted our first half sales growth and continues to have an impact.

We have amended our account management and commission structures to ensure that the right level of focus is applied to costumer attention and revenue protection, and we should start to see the benefit of this as we move through H2. Revenue growth has also been negatively impacted by our service delivery. Our strong ASC sales pipeline took priority in Q2, which impacted the activation of other services. Our manual provisioning processes on multiple networks is still a major pain point which highlights the importance of the network consolidation and automated provisioning projects that Kevin mentioned earlier.

Whilst a single network is a few years away, we have allocated resources and a number of projects are under way to improve service delivery cadence in the second half and into FY20. Network-Services EBITDA declined in first half due to the lower margin project revenues on the Coral Sea Cable system as well as the lower margin wholesale NBN revenue.

New Zealand performing strongly, another great result delivering both revenue and EBITDA growth in the half. Consumer revenue growth grew 8% on the prior period through the bundling of energy and mobile services across our Slingshot and Orcon brands. Enterprise and Wholesale revenues were flat due to price erosion across voice and data services. EBITDA margin growth was higher than revenue growth through product mix and the continuation of SG&A savings through business efficiency programs [that Mark has] underway.

Moving to Consumer. As you all know, our consumer business, which comprises the Dodo and iPrimus brands, operates in a highly competitive and complex market. The first half saw revenue declines across much of our portfolio, led by legacy voice declines of $15 million, which continues the negative trend from previous reporting periods and is a market-wide challenge.

Both broadband, $9 million revenue decline, and energy revenues, $13 million decline, due to falling SIO numbers, and in the case of energy also due to falling customer usage profiles. As Kevin mentioned earlier, our focus on NBN and in gaining market share has shifted. In the appendix to this presentation we have included a slide that sets out why

NBN is currently not economical and sustainable for our consumer business. In the interests of time I will not cover those issues now however I am open to Q&A later on.

Mobile revenue was flat in the first half, with higher subscriber numbers being offset by lower ARPUs from new introductory plans. We do see mobile as a strong contributor to future growth, particularly given the new MVNO agreement we have entered into with Optus, which also provides us a pathway into the world of 5G.

Whilst revenues have declined, the Consumer division has been extremely successful in driving costs down, and as a result, EBITDA is relatively flat to the prior period and margin percentage has actually improved. Our focus on digitisation and automation is starting to gain traction in sales and service areas, with improved sales ordering funnels completed in both Dodo and iPrimus. In addition, the My Dodo self-service portal was launched in December and these and other initiatives have enabled us to reduce Manila headcount by 25 per cent against the prior period, and we have further plans in train to continue to lower the costs to acquire and service our customers.

A new combined Business and Consumer Division now led by Antony de Jong is focused on the reinvigoration of the Dodo brand which was relaunched in August of last year. That relaunch has helped increase our brand awareness and consideration and with the introduction of multi-product offerings and the greater focus on cross-sell opportunities, we do believe we can grow overalls SIOs.

Increased competition in the Energy business is being addressed with new product in plan, and we do see this segment of our business providing future growth opportunities. Whilst revenues did decline in the first half, the impact on EBITDA was limited due to our strong hedging positions.

Finally, and as Kevin said earlier, the focus on the consumer business has shifted to be strongly focused on profitability and cash generation rather than a "growth at any cost" approach.

Our Business division is based on the Commander brand which we have recommitted to and recently relaunched at the beginning of this month. As we highlighted in the full year results in August, this business has not been given the executive and management attention that was required in a market segment where NBN and new mobile solutions are materially impacting our legacy Voice revenue streams.

These legacy products have continued their decline from the previous reporting period.

New NBN and mobile revenue growth is not yet at a point where it can offset the legacy voice decline we are experiencing, and as a result we expect revenues and margins to reduce further for the next few reporting periods, all be it at a reduced rate.

The business leadership gap has now been addressed with the appointment of Antony de Jong in September last year and prior to taking the leadership of the combined business and consumer business divisions, Antony restructured the Commander business and the executive team and established a program of work to better manage our existing customer base and reinvigorate demand.

Commander has also established a dedicated customer attention team and recently introduced 24/7 technical support for our customers. As I said, the Commander brand was relaunched earlier this month with a new marketing campaign, partner conference and a revamped website, which you should go and visit.

The website includes a refreshed range of new offers including updated NBN and office phone and mobile plans and a push towards a more digital and automated customer experience. In addition, we are working hard with existing and new channel partners to drive increasing sales momentum.

Finally, and as set out by Kevin, Antony is now leading a combined Business and Consumer Division, in what we refer to as our retail segment. The combination of these three focus brands, Dodo, iPrimus and Commander across six mobile and Energy product portfolios will enable greater collaboration between our teams as well as shared reporting BSS systems, digital and automation approaches and contact centred technology. This will deliver further operational efficiencies and unit cost savings as we position for profitable growth.

Finally on guidance, before I hand you back to Kevin, I will close out by reaffirming our full year guidance for FY19. We expect underlying EBITDA, inclusive of LTI costs, to be in the range of $350 million to $370 million as we guided to in August, and capital expenditure in line again with what we guided to back in August.

This will require a stronger second half; this will be delivered with a settled and fully engaged and focused leadership team that Kevin set out earlier, a full six months contribution from the ASC cable system, the benefits of the new MVNO agreement that we have with Optus, and improved service delivery cadence as well as a further focus on cost savings.

With that, I would like to hand you back to Kevin.

Kevin Russell: Thanks, Mark. Just to summarise on some key takeaways. This has been a fairly comprehensive presentation. We have gone through it pretty quickly, but I do want to recap on some key points. This is a three-year turnaround and what has been really encouraging for me is the speed with which the Board and the leadership team have got clear on the way forward and are implementing it in a clear and simple manner.

The opportunity for us clearly lies - the core opportunity for us clearly lies in leveraging the network capability into key markets in our Vocus Networks division is that its core is a fibre company and we are crystal clear on what we have to do to leverage that going forward.

The progress after the last six months has been, in my view, exceptional, but it has been foundational progress, and the piece I am most pleased about is the leadership capability we have brought in, which I think is a bit of good fortune but also we have hand-picked people for particular skillsets and particular roles and we have been highly successful in getting that talent and capability in.

There is a big economic prize in network consolidation and system simplification and we now have plans and clarify on how to deliver that. Vocus Retail is a major reset, but we have quality assets and we see opportunities on market and on cost. Our New Zealand business is performing well, it's growing strongly and it's in a rock-solid place.

Then finally just to reiterate Mark's comments, we are on track on our guidance range of $350 million to $370 million for the year and that again is, to reiterate, is after expense and incremental costs from the long-term incentive plan.

So with that I would like to open up for questions, and thank you all for joining again.

Operator: Thank you. If you would like to ask a question, please press star one on your phone and wait for your name to be announced. If you need to cancel your request, please press star two. If you are on a speaker phone, please ensure you pick up the handset to ask your question. Your first question comes from Kane Hannan from Goldman Sachs. Please go ahead.

Kane Hannan: (Goldman Sachs, Analyst) Morning, guys. Thanks for the question, it's just three for me please. Firstly just on that full year guidance, can you confirm what we should be expecting for the LTI payments in the second half? Then on a segment basis, where you think the incremental growth is going to come through to hit your guidance range.

Then in Enterprise, you talk a little bit about the price erosion you're seeing and who is driving this, and whether the legacy contract churn has now sort of washed through the base in the first half.

Then finally in consumer, can you just talk briefly about the 5G opportunity you guys have with Optus and whether we should be expecting a fixed wireless product to be launched similar to what [Optus] has recently done?

Mark Wratten: I'll do the LTI plan. So as I said in my commentary, the first half is around $5.7 million expensed, the full year we are looking at around $10 million at this point in time. That may change as a result of when final shares are allocated, but at this point in time that is what we're looking at.

Kevin Russell: So there's a few questions in there, Kane. I'm trying to walk through segment basis, high level comments would be the main higher-than-normal churn has been in wholesale and the impact of TPG, Voda and some of those bigger contracts coming off. That's probably in the last couple of months, the quarter, so those will wash through and weaken wholesale in the second half to a degree, offset by ASC revenues coming through for a full six-month period.

Government has been performing quite solidly. Enterprise, absolutely work to do in account management and it's on the top of the list in terms of Andy's focus coming forward. I would expect to see enterprise go solidly in the second half of the year.

Price erosion, I would not overemphasise, price erosion is part and parcel of normal re-sign of contracts, we have opportunities to manage that progressively better as the skillsets improve over the next couple of years. Again, that's a capability that Andrew is bringing in along with others.

On the 5G opportunity, we believe we have significant growth opportunities in small business longer term. Commander is a strong brand name, it is not a market that is well serviced by incumbents today, so there's the overarching view that small business is a big opportunity for us once we get ourselves through the restructure and the resetting of Commander.

5G is very relevant for that, four or five years out from an application site. My personal strong view is that 5G will follow the path of 3G and 4G, where applications will take time and in the short term the broadband capability will be very relevant, and I think Optus's strategy on fixed wireless is very interesting and very exciting. It is also very relevant in terms of where Vocus plays from a fibre standpoint and the opportunity to support some of that regional backhaul is something we are looking at. But also, the opportunity to bypass high costs on NBN into an alternative cheaper product, and arguably better product in terms of pricing contract, is something that is attractive to us.

Just to be clear, our MVNO arrangement with Optus just now includes 5G, but it does not include fixed wireless yet. That is something that Optus and ourselves will talk about in the months ahead, but it is clear that there is a strong strategic alignment between our two companies to make that opportunity happen.

Kane Hannan: (Goldman Sachs, Analyst) Thanks.

Operator: Thank you. Your next question comes from Eric Pan from JP Morgan. Please go ahead.

Eric Pan: (JP Morgan, Analyst) Good morning, guys. Thanks for the questions. Just three from me. You mentioned at the beginning that Vocus is no longer about cost transformation. Where does that leave the cost-out program that was supposed to hit runway by fiscal '20? Is that still in place?

Then second question, how should we think about the longevity of the project revenues? Does that extra $60 million project revenue fall away in the second half and what kind of margins do you get on it?

Then lastly, can you give an update on the progress of the ASC sell through, how many terabits have you sold to how many costumers, what is in the pipeline and how much revenue it seeks to contribute in the half?

Mark Wratten: Yes, I will probably take all of those because Kevin wasn't around when we put up that net $90 million cost transformation. I think if you - the three buckets that we actually talked to back in October of 2017 were around optimising spend, simplify our business and drive profitable growth. So it wasn't really all cost out, it was optimised spend and radically simplify with elements of that.

We are very focused on that, whether the $90 million was a net number, you will remember it was $120 million gross and then $30 million of NBN margin degradation as we move from copper to NBN. What was missing from that slide as well was - should have been the reduction in our EBITDA as a result of the legacy Voice platforms reducing, so that wasn't probably as accurate as it should have been back in that time. But in terms of those three opportunities, Eric, they are still front and foremost of our mind.

So optimising spend, we have a huge focus on that, and obviously as I spoke about in the consumer business, we have been able to do that very well. Simplifying our business is, as what Kevin said, probably the biggest part of that or the biggest element of that is our technology and our networks. We will speak more about that in May but that is a huge opportunity for us to reduce costs out, Kevin spoke to numbers, and then driving sustainable growth is really unlocking the opportunities with our Vocus Network business.

So none of those things have been dropped, the targets in some instances are higher internally. I think the timeframe now is a bit of a reset, Eric, for sure. I think we were a bit ambitious back in October of 2017 in terms of how quickly we can deliver those things. But as I said, in terms of the consumer business, we actually have been very successful very quickly, which is great.

Onto a couple of the other questions. Project revenues, really, I don't want to go in and disclose those particularly because we have got a government contract and we're not really allowed to say too much. But in terms of margins, the margins that we enjoyed in the first half was similar to the project, or one of the margins that we incurred in the first half of last year. So it's like-for-like in that regard.

You will se our project revenues in the second half probably slightly lower than what they were in the first half, and again slightly lower in the first half of FY20. In regards to ASC, I don't know off the top of my head how many customers we have signed, but we actually have signed up 3.2 terabytes of the [40] system.

I've just been given a note from Andrew that it's something like 70 customers that have got various capacity, either on or about to be provisioned or in the pipeline. So that cable system is performing better than our internal expectations, so it's - when we set ourselves the budget for this year for example we were quite conservative on that project, but it is actually out delivering, which is great.

Eric Pan: (JP Morgan, Analyst) Thank you.

Kevin Russell: Eric, just a comment from me. We will get cost out, I have said repeatedly I love taking cost out, I'm a cost-cutting CEO, I wear that as a badge of offer, I am a commercial animal. But this is a new plan, you know, we are focused on doubling our revenue in enterprise, government and wholesale, and where appropriate we are going to invest to do that rather than prioritise costs. There is an asset here that is subscale in market share and the opportunity is to maximise the market opportunity from that asset.

There's big buckets here - that $60 million we put out there in network consolidation and system simplification, that's a net number. The gross number is probably close to $100 million of cost coming out, $40 million getting in, a net $60 million as a result. That is a simple framework to support doubling the revenue, and as Mark said, we're absolutely all over how we continue to improve costs in Consumer and the consolidation of the Consumer and Business unit again helped take us down that path.

So it's just not a big transformation program, it's more business-as-usual, with clear work to do on network consolidation systems simplification.

Eric Pan: (JP Morgan, Analyst) Maybe if I could just follow up, you said the timeframe has been reset, so what does that mean exactly? Obviously, it's no longer going to be run-rate by end of fiscal '20. How long has the timeframe been reset to?

Kevin Russell: I'll say as far as we will come out, we will in mid-May do a detailed update on what our plans are and our milestones and our activity is on simplifying our systems and consolidating our networks and what capability we get as a result of that. In the presentation here you can see our system simplification of BSS consolidation we expect to have done by the end of 2021, and the network consolidation by the end of 2022.

Those timeframes are absolutely influenced by the drive to double revenue enterprise government and wholesale as well. If I set lower targets for the growth ambitions in this business we would be able to probably pull those timeframes in, but we wanted to deliver both, we wanted to deliver the growth opportunities while we have the window and we want to deliver the cost-out prize.

So the plan has been reset. I am clear that we are accountable to the market to get transparency to enable the market to measure progress and that is what we will set out in a couple of months' time.

Eric Pan: (JP Morgan, Analyst) Great. Thank you.

Operator: Thank you. Your next question comes from Eric Choi from UBS. Please go ahead.

Eric Choi: (UBS, Analyst) Hey, guys. Thanks for the questions and good execution so far, Kevin, and good cash flow, Mark. Just three from me as well. First one, just wanted to drill into that enterprise revenue growth rate, I'm just trying to get a sense of what that 6% would have been without that Vodafone contract drag. I think from old Nextgen disclosures that that contract looked like it was work about $10 million to $15 million per annum, I'm just wondering if you can confirm whether that is right.

Then second question just around NBN AMPUs, I think you guys sort of called out a drag from losing the focus of 50 uplifts, so I'm just wondering should we be using that first half '18 NBN AMPU of 18.94 as a guide going forward rather than the 21 that you guys have been doing recently?

Then just last question on ASC, that $26 million of upfront cash that you received, I'm just wondering if you can give us a feel for how you have treated that P&L wise, like what have we booked first half and what are we looking to book second half? Thanks.

Kevin Russell: So just on the first one, the Nextgen contract is in and around the range that you articulated, Eric. I would say as far as the sales rate in the last - in the six months to December, actually was stronger than it was in the previous half and would have taken us to growth rates that were commensurate with the 11% that we had seen before. The churn has taken us back but we also seen impacts in terms of those sales rates being provisioned in a timely manner.

That is an operational challenge that we are working through and those are the kind of operational challenges I would like to think would disappear from the business as we bring the team on.

So overall, we really [unclear] on our growth rates was actually commensurate with the opportunity to double our revenue, but we have been pulled back by - I would describe - short-term issues within the business.

Mark Wratten: I'll take on the other two questions, Eric. So the NBN AMPUs, yes, they did tick up a bit obviously second half of last year, first half of this year, because of that focus on 50 and the benefits that came through from that. We do expect AMPU will decline, whether it gets to the levels of first half '18 I couldn't tell you at this point in time.

But obviously CBC and the variable nature of that in an environment where customers are consuming more and more data every single day is a challenge for us and all telcos. ASC, the $26 million, I banked it straight away and in terms of revenue, it's being recognised over the life of the contract, which is the full life of asset contract. So the impact on FY19 revenues is actually quite small, Eric.

Eric Choi: (UBS, Analyst) Great, thank you.

Operator: Thank you. Your next question comes from Entcho Raykovski from Credit Suisse. Please go ahead.

Entcho Raykovski: (Credit Suisse, Analyst) Hi, Kevin. Hi, Mark. A couple from me. Just the first one, particularly given some the price erosion comments, and I don't want to focus on that too much, but just the expectations for margins in Enterprise, Government and Wholesale if you achieve the revenue growth targets you've got out to 2023, do you expect that to come with a significant pressure on margin over that period?

Then secondly, in terms of government contracts, you spoke six months ago about significant opportunity in Victoria and New South Wales, it looks like that is still the focus. Are there any particular contracts where you think you've got an opportunity or any panels that you're now on where you can think you can win additional contracts? Thank you.

Kevin Russell: So just on the first question on margins, price erosion is just part and parcel of the market. I do not - there are smarter ways to manage most of the same, and Andrew - myself and Andrew are very clear on our opportunities there. I do not expect our margins to move materially in the years ahead. Now, [as] the challenges that we have opportunities to be smarter on how we target our costumers and how we target more on net traffic and capabilities. So I wouldn't be focusing on fundamental change in changing margins.

I do want to ask Andrew at this juncture just to comment his observations coming in on state government

Andrew Wildblood: Yes, it's Andrew Wildblood speaking. So we are on the panels of New South Wales, Queensland and Victoria, and I think there are opportunities that exist in New South Wales. As a matter of fact, I was talking to some ministers yesterday and clearly continued investment into regional New South Wales and opening up areas in Dubbo and other parts of a network represents an opportunity for us to sort of continue to expand our network to meet the needs of the government as they do black spot programs and continue to do rural investments.

So I think there's opportunities in New South Wales. We're already winning some contracts with New South Wales Health and they will continue to expand, and we see a bit opportunity in Victoria, particularly around education and health to win. In Queensland we are probably a little bit behind where we would want to be in terms of engagement, but we have got plans to step up the opportunity in Queensland.

I have previously worked across those towns in another organisation so I am quite familiar with where the opportunities lie. We're not going to be everything to everyone in there, we don't operate mobile networks and clearly, we're not going to be after emergency services, as certain parts will be specific on.

So I feel very confident that there is enough demand for Vocus to be relevant across the core states, and also we do continue to do a lot of work in both the Northern Territory were we have resigned contracts there, and Western Australia and South Australia. So we are pretty well covered now across most states and territories.

Kevin Russell: Then from managing expectations and Andrew's the first to know this is that these are state governments, federal governments, it takes time to build relationships, credibility and strength. So far I think we're well-placed in some of the enterprise work we've done over the last 12 or 18 months, we absolutely recognise we have got plenty to do and catch up on some of the state government relationship.

Entcho Raykovski: (Credit Suisse, Analyst) Great, thank you.

Operator: Thank you. Your next questions come from Fraser McLeach from MST Marquee. Please go ahead.

Fraser McLeach: (MST Marquee, Analyst) Great, thanks. A couple of me. Just can you give an idea of how much of your revenue in the data and networks business would be wholesale, ISP carriers and over-the-top providers?

Then just secondly, on market share I think you talked about at the AGM of 5% to 6%. Could you just give us a feel for how you define that? Because if you work back it does get to market of $7 billion plus, which seems awfully large. Thanks.

Kevin Russell: Fraser, just repeat the second question. I struggled to follow.

Fraser McLeach: (MST Marquee, Analyst) Sorry, just on your market share, you were talking about a 5% to 6%, you were talking about that at the AGM. Is that based on customers or revenue? How you kind of get to that number, just because when you work backwards it does get a very big sort of market that seems bigger than I would have expected. Thanks.

Kevin Russell: We come back to the same comments, Fraser, that that overall estimate of $7 billion, the market is higher than $7 billion, the market is closer to $10 billion in our estimation. So again, I would say that, well, if we're talking like-for-like, we're looking at a higher market even than the $7 billion, I think 5% to 6% actually - our view is it's probably closer to 4% to 5%. In terms of the first question, Mark.

Mark Wratten: Well, the first question, broadly 60% of the revenue sits in wholesale domestically here, but our intention is to scale up enterprise in government, which is where we see the major opportunity for growth, significant growth for us, because we're disproportionately underpenetrated in enterprise in government markets compared to where we are in wholesale. That is a lot of the work that we're doing around our products to make us more relevant, how we figure ourselves to those distinct market opportunities in enterprising government moving forward, is that helps.

Fraser McLeach: (MST Marquee, Analyst) That's helpful. Maybe at the Investor Day you can sort of outline how you define the market, that would be pretty helpful because obviously that's a fairly important number when you think about the opportunity for your longer term.

Mark Wratten: That's fine, Fraser.

Fraser McLeach: (MST Marquee, Analyst) Thanks.

Operator: Thank you. Your next question comes from Brian Han from Morningstar. Please go ahead.

Brian Han: (Morningstar, Analyst) So can I just clarify, in the Networks-Services segment, how much did underlying margins fall excluding the Coral Sea cable impact and was there any fixed cost taken out of that segment?

Mark Wratten: Brian, I don't have that data at hand but certainly the biggest impact was the lower margin NBN wholesale and that project revenues. Both those margins - I won't quote NBN wholesale, but certainly the project revenues are low teens type of thing. So when you blend it together it has quite a large impact on our overall EBITDA margin in that business.

In terms of costs coming out, no, it's more of a cost investment, which we spoke about in August in terms of sales teams in particular as well as we have been investing in service delivery teams as well. This is obviously one of our challenges is that we have got manual provisioning processes across multiple networks. We have had to throw bodies at it rather than the longer-term ideal position of having that very automated. I think as in one of Kevin's slides, we can provision customers in minutes than weeks and months.

So no, not so much cost out in Enterprise or in the Vocus Network-Services part of the business at this point.

Kevin Russell: I'm just going to pick up on that question. There is no underlying fundamental deterioration in margins in our core business. There absolutely is some NBN wholesale that is slightly lower margin as well as obvious impact at Coral Sea too. As Mark said, we absolutely have an incremental cost during the period relating to provisioning and also relating to [head churn] in enterprise sales that is relevant to driving the growth forward. But the core business, enterprise, wholesale, government [unclear] have been consistently solid.

Brian Han: (Morningstar, Analyst) Okay. I have a follow up question. Previously you mentioned that there is still continuing focus on cost, I'm wondering how that cost gels with the Commander the business given that, as you said, that business needs a bit of reinvestment? Also, that you [inaudible] for that business Commander, should we expect that to go up before it goes down or is it going to go down from here on?

Kevin Russell: I got the first part and then your voice was breaking in and out. So let me try the first part which is there is absolutely reinvestment required in Commander and we have talked about that before, there is investment required in the Commander brand and there is investment required in re-establishing the channels.

What is happening with Consumer and Business/Commander is that we are bringing together much of the back office capabilities, so one digital team, one analytics team, integration of the administration and finance teams. There is capability to maximise the synergies in those areas, but absolutely there is need for some incremental investment in Commander to drive the business going forward. The second question I couldn't hear, I'm sorry.

Brian Han: (Morningstar, Analyst) I'm referring to slide 21 where you actually [inaudible] this metric called Unit Cost to Serve, and it shows $2.64 for the December half versus $2.61 for the first half of fiscal '18. My question was, should we expect that to increase before it goes down or should we expect that to go down from this point onwards?

Kevin Russell: I would expect it to be stable. I think there is absolutely an investment or work done on digital capability in Commander which has not been serviced or supported to date. But I also think there will be ongoing improvements in service capability. So my assumption, I would guide it towards keeping those costs flat.

Brian Han: (Morningstar, Analyst) Okay, thanks, Kevin.

Kevin Russell: Thanks.

Operator: Thank you. Your next question comes from Ian Munro from CCZ Equities. Please go ahead.

Ian Munro: (CCZ Equities, Analyst) Good morning, Kevin and Mark. Just looking at the Commander business, can you perhaps give us a sense of the trends in revenues over the half and perhaps how that is going to [inaudible] into January and February?

Mark Wratten: In the OFR there is a breakdown of revenue in more detail on Commander. Just let me find it for you. Yes, on Page 11 of our OFR you see revenue - so you can see that revenue in data networks in that part of the business reduced by $3.6 million. Voice was the big one, $18 million reduction period-on-period, and power and gas was about $5 million and then other are $5 million. So there's a full breakdown in that table.

Kevin Russell: If you go to the slide 21, we do have stability on NBN, mobile, expect stability on Energy, looking at all those areas which we have not mobilised behind yet, I do expect us to see that change probably more in the final quarter of the year. Legacy revenue is eroding and it is structural and we expect that to continue at a not-dissimilar growth rate in the second half of the year.

Ian Munro: (CCZ Equities, Analyst) Thanks, Kevin. Just looking at the Networks business, are you able to comment on the tender pipeline? You've noted that the price environment has seen some kind of [pressure] at the moment. Is it too early for us to be looking at a stronger tender pipeline with the new personnel that you've brought in?

Andrew Wildblood: Hi, it's Andrew speaking. I have been on board for six weeks and actually the long-term tender pipeline is strong. We have got a number of projects of materiality, Kevin mentioned around the Scarborough gas shelf and linking ASC to North West Cable.

There's a number of active bids that we're operating there which would be of materiality, and elsewhere with parts of government, which is promising, and then the Enterprise pipeline is growing in terms of bids that we're working on. Where we're very focused is probably looking at less on volume, which has been where they traditionally have been focused, and more on higher value of type long-term annuity revenue streams. That is the sort of switch which you would obviously recognise doesn't happen overnight in terms of capability to get us there, engagement with ASX 100 companies is not something that the organisation has necessarily been entirely focused on, but where we believe there's a real opportunity for us and we are bidding on a number at the moment.

So I am pretty bullish, if you like, in terms of the state of the pipeline but obviously there's a lot more we can do and that's where we're very focused now. If that helps.

Ian Munro: (CCZ Equities, Analyst) Yes, it does, Andrew. Just one follow up then on the ASC, 70 costumers you noted to date. At what point do you hit critical mass and we'll start to see some earnings flowing through at a level that maybe not material, but getting towards it?

Mark Wratten: Yes, well already we're seeing - a lot of the revenue obviously drops straights to the bottom line because the D&A is the largest expense now that that system is being completed, or there is ongoing O&M obviously. I think you will see especially as we move into FY20 that that will become a more material part of our business.

In terms of whether we will separately disclose ASC revenues, we haven't really decided on that yet. It's actually part of our overall network, and in many regards our clients are buying services from Singapore all the way through to Sydney, so we're servicing them not just on ASC but on our other domestic terrestrial cable systems as well.

But certainly, as I said earlier, the momentum we're very pleased with, it's been better than our conservative estimates when we did our budgeting and the pipeline and level of interest that the sales teams engage in with customers is just getting stronger and stronger.

Ian Munro: (CCZ Equities, Analyst) Thank you.

Operator: Thank you. Your next question comes from David Spotswood from Airlie Funds Management. Please go ahead.

David Spotswood: (Airlie Funds Management, Analyst) Thanks. I would just maybe move forward one slide to slide 22. So this comment here about the earnings growth in FY20, so you're saying we think that EBITDA is going to be higher in FY20 than '19, is that right? Above 350 to 370?

Mark Wratten: We haven't guided to FY20 yet, David. We'll take that later on, but certainly that is our expectation. I'm not going to set a number, but our expectation is that the momentum in the business and all these new people that Kevin has brought on, the cavalry, will help drive us to a much better level of financial performance in FY20, but we won't sort of give guidance at this point.

Operator: Thank you. Your next question comes from Eric Choi again from UBS. Please go ahead.

Eric Choi: (UBS, Analyst) Hey, guys. Sorry, just two quick follow ups. First one was just on Slide 22 again actually. You've called out the six months' contribution in ASC and cost savings, I'm just wondering if you can actually help us quantify what that six months' contribution is in the second half?

Then also on the costs, I think you guys previously called out like $15 million of investment in FY19, so I was just wondering how much was in first half and how much should we expect in second half? Thanks.

Mark Wratten: Yes. Look, I will let you guys figure out the second half. We've given you the guidance and you know what our first half is now so you guys take mid points and things like that. But certainly, cost savings, as Kevin said, that's part of our D&A and in the consumer business they'll continue to see benefits to that in the second half. In the technology or infrastructure operations and group area we are working hard at those as well and Vic and his team will see some savings there.

In terms of the investments that we spoke about in $15 million, a lot of those people are on board, maybe not in the same bucket that we sort of maybe thought ourselves internally back in August, but they're nevertheless onboard. So they will have a bit of an impact, a stronger impact on the second half than they did on the first half, but that's all factored in our guidance thinking.

Eric Choi: (UBS, Analyst) Thanks, Mark. I wasn't asking about a second half Group EBITDA number, just the ASC EBITDA contribution in the second half, if you could just provide a rough guide?

Mark Wratten: No.

Operator: Thank you. Your next question comes from Anthony El-Khoury from Deutsche Bank. Please go ahead.

Anthony El-Khoury: (Deutsche Bank, Analyst) G'day, guys. It's Anthony El-Khoury here from Deutsche Bank. Just on the consumer energy business, there was a 10% decline year-on-year on SIOs. Can you just give us a bit more detail on what exactly happened there and further going forward why expect it to remain stable?

Kevin Russell: I'll be quite simple. I think it's a great example of one of a couple of areas where we haven't had the focus on the marketplace, haven't been nimble enough in responding to marketplace. Here there has been competition, but there has been change in leadership and quality of execution that needs to be better going forward.

Energy is a good product for us, it fits well and helps the economics in the NBN, and there have absolutely been a couple of areas within the business which have shown short-term weakness, which comes back to quality of leadership and quality in execution. You don't change half of the organisation, half of the leadership team unless there are some operational issues within the business, and I recognise that. The stability and the energy in the second half of the year I expect to come from better execution, and I do expect it to be part of our growth opportunity going forward.

Anthony El-Khoury: (Deutsche Bank, Analyst) Thanks, guys.

Operator: Thank you. Your next question comes from Andrew Levy from Macquarie Group. Please go ahead.

Andrew Levy: (Macquarie Group, Analyst) Thanks. On the result, I just wanted to ask three questions if I could. I just wanted to clarify the comments around the CapEx savings in the financial aspirations chart. So is the comment there that you will sort of sit within the existing $160 million to $170 million envelope, save $30 million and then use that as reinvestment for growth in new projects, was question one.

The second was just around the network business. So with the project margins I think you referred on the call in the low teens, I suppose X projects, it looks like the EBITDA from the recurring type businesses is probably flat or slightly negative even. So just wondering, is that all relating to the provisioning investment and also the enterprise sales investment, and if you could give some colour on whether you are fully loaded in the half for those or there's a bit more to come in the second half into the cost base?

The third one, can I just be interested in your thoughts on NBN enterprise, there have been a few deals done by your competitors in the corporate space, I think Telstra and Woolworths and a couple of others have been done. Just wondering how Vocus was looking to use NBN from an enterprise perspective and whether it's helpful for you or more of a competitor that you'd probably rather not there? Thank you.

Kevin Russell: So on CapEx savings, I look at our CapEx envelope as ranging from anything from $160 million up to $200 million depending on some of the builds of commitments we may make. The point I want us to be clear on is when you run six networks and have multiple vendors, you have inefficiencies to your CapEx spend. The move to one simple network and fewer vendors will enable us to remove about $30 million annualised of inefficient CapEx spend.

So that overall envelope we will manage according to whether we are making investments in some of the cable assets we talked about earlier, other areas that we will absolutely be able to enable or invest and the network consolidation systems implications within that broad envelope. One NNN enterprise, Andrew.

Andrew Wildblood: Yes, look, I'm really optimistic on NBN enterprise. I had a [unclear] workshop with the NBN leadership team only last week, I see there's a natural logical extension of our networks that can enable us to be more competitive on an even playing field if you like to win in the areas of the market that we want to win in, rather than being entirely depending on just where our fibre is. It gives us good extensions and it does level the playing field.

NBN see the same, NBN are pretty confident that Vocus has a good [right] to play with them together and we're working through the productization of, for example, the ethernet products which is the one product that is really highly relevant into the enterprise market. So I'm confident that Vocus and NBN together will extend our scope and opportunity [in] market and we're working through what they are now and actively actually working on a number of opportunities together. So I think it's positive.

Kevin Russell: Mark, on the middle question, which I was a little - I just struggled to follow, Andrew.

Mark Wratten: Margins and the costs. So I think as I said earlier, Andrew, some of that $15 million investment has been in our service delivery teams and that was in Q2, so we will see the full half impacts of that. But again, that has been - that is sort of part of the pressure in margins in regards to the Network-Services business, but that again is factored into our guidance.

Andrew Levy: (Macquarie Group, Analyst) Okay, thank you.

Kevin Russell: I think we are pretty much out of time. Just final comments from me. Firstly, thank you very much for joining and I am hoping that the detail we have provided is helpful, I've been acutely aware that we've talked through resetting but actually what does that mean? It was really important to me today to share where we are going three years out.

I appreciate all the focus on today and what is happening through the course of the year, but frankly my priority is where is this business going three years out and putting in place the right foundations, as well as making sure we deliver on guidance through this year.

We are rock solid clear, or very clear as to where we're going. The leadership team has landed now, the scale of change has been dramatic. People take time to settle, I acknowledge that, but people are settling in quickly and I do expect the execution to come through. There is nothing that I have seen in the last six months since August that make me anything other than very confident on the opportunities coming forward, and that is across network and the market opportunity.

Again, I do believe that on the retail side, yes, there's challenges, but there's some good assets for us to do better with. Final comment on New Zealand, it's performing very, very well.

So thank you very much for joining and I look forward to speaking again in the days ahead.

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