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PRESENTATION

Bill Frith

Good morning, everyone. Thanks very much for joining us here this morning for a strategy update from Vocus. We've had an interesting time over the last 6 weeks or so that you are all very well aware of. It has been an interesting time for us. It's helped us really get together and think about what our plans are and really crystallize where we're going over the next 5 years. So we look at that as a bit of an interesting experience. But it's not here for me to talk about that. I'm going to introduce Bob Mansfield who is going to kick us off the proceedings before handing to Kevin. So Bob Mansfield who all of you know very well. Thank you.

Robert Cecil Mansfield ***Vocus Group Limited - Non-Executive Chairman***

Thanks, Bill. And let me add my welcome and thanks to all of you in the room and anyone that's dialing in for an extensive briefing today to bring you up to speed on where we're at and where we're going. But as Bill mentioned, we have had an interesting couple of months, totally unplanned, I can assure you. And despite what some people have noted in the media, we've never had 1 syllable of discussion about tarting this company up for sale. We've never had a for sale sign on the company. But some people see some things in the make up of the company that attracts attention and that's exactly what happened with the 2 bids that we received.

I talked to Matt Hanning earlier on, he's on our Board, and Matt said, we basically as a Board has some pretty simple decisions, which is dead right. We had some bids lobbed at us that were in the 35%, 40% range with regard to price. And we as a Board, and I certainly as an individual Director dwell clearly that if that was proven to be substantiated, a decision I'd like to the shareholders to see how they feel about it. And if we hadn't done that, I don't think we've been doing our jobs.

The big issue with it, having been through the KKR and Affinity exercise previously, when, to be totally honest, looking back, I've been involved in this Board now for 2 years and I've been Chairman for just 12 months. We couldn't get our hands around the detail, we couldn't get our hands around visibility, we couldn't get our hands around the accuracy of a lot of what is required. This time around, within a couple of weeks, we were able to provide data room access, data room discussions, management presentations that let whoever is interested make a decision.

Now the fact that they didn't proceed is based upon their business models and their own execution risk assessment. We're very clear on what our execution risk is on our side of the fence because we live with it every day. And the fact that others, when they had a closer look at it, made a judgment that, that wasn't for them, that's what the commercial market and reality is. But it was an exercise that I took a lot of pride and pleasure in looking back on because the speed with which we were able to provide the information and the accuracy as we tried to provide the information, demonstrates to me and hopefully to you people, that this company has come a long way in the last 12, 18 months and I can assure you that it has.

The parties that came forward were credible, that's the other important factor. I mean it wasn't a maybe, would be, could be set up with either company, and that's why we gave it a lot of credence when it came up. I have every confidence in the team and the direction they're taking. I think today will illuminate further clarity for all in the room and on the call, we certainly hope so. The Board expectation and my expectation and my solid commentary to all shareholders, I can't be more honest with shareholders than what I had been since the day I became Chairman of this company, and that is this is a 3-year exercise and we're 1 year into it.

So that just sets the scene. We're 1 year into it. I'm comfortable where we're at. Would I like to be further with this? You bet I would. But we're on the right track and we know where we're going. And most importantly, the difference between talking to you today as Chairman of this company and when I last spoke to you is that we have assembled a team of executives that are absolutely excellent. And they're experienced. They are now deep into the detail of knowing what the problems are. They're deep into the detail of how you solve the problems. And that's what I hope you'll get out of today. So we look forward to presenting that team to you.

If there's one thing I've spent a lot of time -- it's my role, so I'm not saying complainingly, but listening to shareholders as to what their desires would be and I respect them whether I agree or disagree with them. But the one thing I ask of shareholders once again now is patience. There's no quick fix. There's patience. We're working in a 3-year time vacuum at the moment and the detail you'll be provided with today will give you a better level of confidence, hopefully, on what we can achieve in those 3 years.

So thanks for your time. I'll hand it over to Kevin and the team for the rest of the day, and I hope you enjoy the day and look forward to Q&A at the end of it as well. Thank you.

Kevin Steven Russell ***Vocus Group Limited - Group MD, CEO & Director***

Good morning. So thank you very much for coming. Just agenda in terms of what we're going to cover today. I just want to do a few introductory comments, just a little bit of context in the last few weeks and a few thoughts in terms of where we are over the last 12 months. We are going to talk in detail on Vocus Networks, that will be the bulk of the presentation. And Andrew, Mark, Ellie and myself will all talk through that opportunity. Then we'll break for a quick 15 minutes, and we're going to try and keep it tight if that's okay, and come back and Antony de Jong will talk through Vocus Retail, then Mark Callander will finish by talking through New Zealand. And then we'll leave a good 45 minutes at the end before we break for lunch and have the opportunity to chat and circulate.

So just -- this is a big day for us and we've been a little bit frustrated in that we've scheduled this 2 or 3 times and -- we said in February we're going to come out in the May time frame and talk about where we're going. And then we postponed it a couple of times. We've been confident a bit to talk about where we're going. So today is a really good opportunity for me to introduce the rest of the team, and the rest of the team will spend the bulk of the day talking and also will be available for Q&A.

Also just talking about the reset. There's an awful lot of change at Vocus. And I'm very, very clear that the volume of change for shareholders to get our heads around, the market to get our heads around is significant. So the presentation over the next 3 hours is detailed, and is detailed intentionally because we're setting out a clear road map of this is what we believe in and this is where we're going.

It does feel timely because there's been a heck of a lot of noise. I mean my KPI for the year from Bob Mansfield was, "Can you keep out of the press? Keep your head down and keep out of the press and do your job." And then the last month, there's just been every single day has been in the press. So there's been a hell of a lot of noise. So it feels really timely in terms of the opportunity to just take that noise away and see very clearly where we're going.

My ten cents on the last 6 weeks in the 2 bids that have came, a couple of comments. Yes, as Bob said, completely and utterly unsolicited and frankly, a distraction with hindsight. But my view as to why they didn't progress, they were too early. Both of them were too early. Both of them came in with a view in a 3-year turn around without an expectation as to where the business was. And frankly, they were too early in the process. We needed more data points for them to be happy. It's not a good thing, not a bad thing, just a reality check.

What our learnings are at that process in terms of us looking at the business, which is good in terms of sharpening us up a little bit. But that was it. There was no noise. There was no smoking gun. We pushed hard for those processes to be closed quickly. And I personally pushed hard because frankly, we've just gone through the planning process and I wanted the business executed, not presenting. So the fact that they were closed off quickly, for us, was a good thing.

If I just try and evaluate from my chair, where I think Vocus is now versus 12 months ago when I came in. And I kind of look at it through the key elements I've got up in the board. I came into Vocus in May of last year with some strong views as to where the business was and the opportunity. The assets that Vocus has are better than I expected, no question. There's more strategic assets, strategic opportunities than I understood in May of last year. The market opportunity is bigger than I expected and better than I expected, and that's an element of how the competitive landscape is playing out as well as the assets. Unquestionably, in my view, it will take -- it will probably be a bit longer before you see the revenue come through. But I mean a bit longer, not a lot longer. Retail is tough but I knew that actually coming in.

In terms of execution 12 months on, my line of sight of cost is better. So I can now see the cost elements I haven't talked about before, and that for me is always critical. To understand the business and understand how you can get cost out is fundamental to know the EBITDA operational leverage in the business. And you'll see during the presentation, particularly in Ellie's section, we'll start to talk about where we see those operational costs going 2 years out, 3 years out.

In terms of execution risk, we've got an awful lot to do. None of it is not doable, and that's a pretty strong statement. Again I'll say, ain't no smoking guns and ain't no fundamental promise. There's just stuff to execute, and that's completely within our control. I think the other point I've got comfortable with and confident on in the last 12 months now is we've got the balance sheet and the financial resources to do the transformation right in technology that we need to do. And again, what we'll do today is outline how we're modernizing the network, how we're simplifying the network, and that for me is really fundamental. To do that within our CapEx, within our balance sheet, funding arrangements is really important.

The biggest execution de-risk for me in the last 12 months has been the team has been brought on. And you'll get that feeling through the next few hours of the quality of people we've got. And I've seen this team execute now over the last few months. We've got the capability to deliver what we need to do.

Timing? No difference to what I've always said and Bob said. This is 3 years, period. And it's not 3 years because we can't fix it -- fix things earlier. It's 3 years because we want to build the right business that we'll play in come 2 years from now. So I expect us to be in a very, very strong position. I'll touch on that as we go through.

In terms of the last 12 months, what have we done? A lot of foundational stuff. And it's interesting for me, I think I referred to Mark Wratten to run it, stop, make decisions quickly, go, go, go. I've actually, with Vocus, taken a 3-year view and say, what do we need to get right, because this is more strategic. And we have put in place the right foundational pieces for the next 2, 3, 4 years. Critically, people standpoint, leadership, the LTI is a fundamental building block to be able to build the team, and the leadership is not just at my table but down 1 level. So strong team in place.

From an execution standpoint, like, ticking off financial year guidance, I mean Mark Wratten said to me the other day, this will be the third time he's actually presented results. The first time he's going to be able to tick off guidance. That, for us, this year was a big execution landmark. And getting in place the plan for the next 3 years for me personally, critical. I can't get this organization moving unless I've got a clear 3-year plan, and the goals aligned and the resources aligned. Got that now, did not have that 12 months ago.

In terms of revenue enablers, getting ASC built on time, on budget, big tick. From a strategic fiber build standpoint, I'm going to touch on that a little bit today. One of the things that has been really exciting coming in is those fiber build opportunity 3, 4, 5 years out that the market don't understand, that I did not understand coming in, and getting in the pipeline built of what we need to do from an annuity revenue standpoint 4 years out, 5 years out is critical in terms of building the value in the organization.

Then there's technology simplification. Again, it's basic stuff. Is our network working well? I've been on organizations over the last 7 or 8 years where the operational platform, the network has not always been as good as it needed to be. The operational platform at Vocus is good and it's got better and better and better from a network standpoint over the last 7, 8, 9 months.

We've talked about dealing with legacy before at Vocus. Standing here today and having the plan, having the vendor selected, knowing what we're going to do over the next 3 years to modernize the network, to take out legacy systems, to migrate customers over, and to have line of sight as to how much it's going to cost us and how much we're going to save, massive tick.

And in retail, just a lot of stuff in retail. Retail has been full on for the last 12 months, getting the Optus MVNO in place, critical. Getting some of the cost out, critical. Getting the Commander business committed to and the brand relaunched, important. So a lot of good stuff gone on, but I would categorize it as foundational. And as a team, we go into kind of 2020 now with the planning done, the team in place, now we've got to execute.

One of the key things we've done over the last 12 months and maybe I significantly said I think, is just simplifying the business. I remember this research note I saw when I was looking at Vocus originally which was talking about describing Vocus as Frankenstein. All of these bits kind of plugged together. I think it's over 30 different acquisitions over the years. What we have done over the last 12 months is get very clear, very simple, what are we actually -- what our actual business units and where do our priorities lie.

And we've got 3 very simple business units. We are setting them up to be stand-alone. I am an absolute firm believer in, I want autonomy to be sitting with the leader of that business unit, with Antony, with Mark, with myself to be able to run, to be able to make the decisions and not be sitting and waiting for resource to be allocated from some central pool. We need to win in the market, we need to be nimble so the retail business needs to be separate. The New Zealand business operates separately.

The August result is coming up in a month-or-so's time, we will split out the financials for all 3 business units. Again, we want the market to have visibility of where the value is, what businesses are performing well when you allocate the cost out properly. And yes, we will look at some point as to whether some of these business units can be realized. That's absolutely not the plan today but it's good to have optionality.

The other thing we've done is be very clear, very firm: Our core business is Vocus Networks. That's where the core strategic assets lie. That's where the core value creation opportunity lies. Making that statement unambiguous, unambiguous within the organization is helpful. Because what does it mean? It means that the discretionary capital goes to Vocus Networks, first and foremost. The other businesses provide supporting roles and will build value, but we have to get focus Vocus Networks right.

From a team standpoint, we ran hard. My big priority last year for 6 months was to get the team in place. We ran hard. We recruited well. I'm standing here today looking at the team we've assembled, and we've got the right team. So you'll see as the presentations unfold, the quality we have assembled. Ability wise, yes, but more operational skill set, value set, ability to get the sleeves rolled up, get into the detail and lead the organization. We've built an absolutely quality team. Everyone is incentivized primarily with the LTI program. And we've all signed up that program. For 100% of our options to vest, we have to have a share price north of $4.76 a couple of years from now. So there's not a shortage of confidence in terms of the opportunity within the team, and there's not a shortage of focus in terms of what we've got to deliver from a shareholder and value standpoint.

In terms of progress beyond the leadership team. I was thinking, you've got a transformation or you've got a turn around, you focus first on your people, then your customers will feel it, then the market will feel it. So we've made a lot of change over the last 12 months. There's been a lot of uncertainty, I'd say, prioritizing parts of the organization, deep prioritization of other parts of the organization, a lot of disruption. What's been really satisfying for me is in that process, the level of engagement across the organization has steadily, month by month by month, gone up. The voluntary attrition has gone down. And the alignment across the organizations get better and better.

And that is absolutely critical because, yes, the executive team can all be happy to know where we're going, but does the rest of the organization line up, does everyone know where we're going, does everyone more importantly believe where we're going? My awareness over the years have been the answers always lie within the business, that people within the business know what to do. If the people within the business are more confident, more engaged, then we're heading in the right direction.

Vocus Retail. I do want to get very upfront and very clear of where the main headwinds are within the business, and they are in Vocus Retail. So there's 3 separate areas where from pretty much June 2017 through to today, through the next couple of years, we have structural headwinds. And the 3 areas are: One, erosion of voice customers. And you can see in the left-hand side, previous 24 months, we've lost about 187,000 voice customers as voice services have eroded, and that's primarily been in Commander. Two, we absolutely have lost broadband customers during the migration to NBN. And NBN unquestionably favors the Telstras of this world, the big premium brands. I mean you get value brands like Dodo, you do get squeezed. And we have lost customers, about 84,000, over the last 24 months. And then finally, we lose on the migration of customers in ADSL to NBN, about 182,000, we estimate, over the previous 24 months. Those have been the main structural headwind we've been working through and will work through again for the next 3 years.

The bit I'll say very clearly today is my expectation, Antony's expectation, by the second half of next financial year, financial year '21, we expect to be past that in terms of EBITDA impact we expect the growth that comes through in mobile, the growth that comes through in energy and cost savings to offset the impact. There's been a significant impact of dilution from those 3 factors.

Guidance. So I said earlier, from our chairs, ticking off 2019 guidance was absolutely pivotal. So we'll announce the results in the middle of August. Right now, we are reconfirming guidance across all key metrics for 2019. In terms of looking at 2020, we expect the underlying EBITDA range of our guidance to be in a consistent range with 2019. And that's -- there's 2 key elements there: One, we are seeing growth coming in Vocus Networks, and we expect that to be EBITDA-wise in the range of $20 million to $30 million, but we expect to be offset for the downdraft in retail all about the same level. So our guidance is consistent range with '19 for financial year '20. We do see the second half of the year performance has been stronger, and then we will continue to invest from a CapEx standpoint. So key investments in CapEx next year: One, future state network, there's $15 million for that, and we'll get $30 million in for IRUs, including submarine cables -- international submarine cables to continue to support the growth that Mark Callander will talk to in international business. Finally cash conversion 90% to 95%, and net leverage ratio coming down.

We're going to '21. We expect to see Vocus Network EBITDA growth on absolute level continue to grow. We expect that to be on the $20 million to $30 million that we are targeting and are guiding to in financial year '20. And we expect the retail business to stabilize in the second half of the year. New Zealand through '20 and '21, steady growth.

Key message out of that beyond the next 2 years is by '22, we expect the turnaround to be largely done and all 3 businesses to be growing strongly, particularly Vocus Networks.

So just going through in detail, spend the next 1.5 hours just going through the Vocus Networks business. And I'll start here just by explaining what we're actually building. And we are building Australia's specialist fiber and network solutions provider. And essential for me to reflect, I moved on from Telstra 2 years ago and took a 6-, 7-month break. I spent a lot of time in that -- during that period thinking about where I saw the market opportunity. Now I described it just now as how my thinking was then, how my thinking is today, I'm basically along with business fiber and on short consumer mobile. Like I looked hard at the marketplace 18 months ago, and I was very bearish in consumer mobile and very, very confident and excited about the opportunities I saw in fiber in the marketplace.

And I say that because I can see the competitive landscape building in mobile. I can see a 5G war or battle building between Optus and Telstra in mobile, and I can see a diversion of resource away from fiber and enterprise, into mobile, into the consumer market. That was very much the context to me looking at the Vocus job, and actually more importantly, wanting the Vocus job because in that market, Vocus has absolutely awesome assets to win if you believe and going long on fiber, and there is a crystal clear opportunity in this marketplace just now for someone who specializes in fiber and the right solutions into government, into enterprise and has the ability to target carriers in the wholesale marketplace. Someone who is fixated on the right market, products, the right customer needs; fixated on the technology that provides the right solutions, the right customer experience; and fixated on getting the right economic model and the right yield management. And that's what we are building at Vocus. That's why I say the core business at Vocus is the networks business, Vocus Networks.

So that's some context, that's some direction. And the next 40 minutes, Andrew will talk through a bit about how we're going to grow in-market. Thanks.

Andrew Wildblood ***Vocus Group Limited - Chief Executive of Enterprise & Government***

Thank you. So what I want to take you through today is just a little bit of a context about -- I've only been in the role for 6 months. I had a long career elsewhere in Telstra, living and working, growing businesses all over the world, about what I've seen since I've joined Vocus. And then I want to take you through about some of the customers, how we think about the market, where we're investing in our product capability to take advantage of the market and a little bit about some of the partners that we're working with. I will also touch on NBN. It's a question that everyone asks me, whether NBN is good, bad or indifferent in the enterprise. And I will put it out on the table now it's very good for Vocus and the enterprise and government business, and I'll touch on why I believe that. So that's really the idea for the next 40 minutes.

So what do we do well? This is really my reflection, I think, about what after 6 months in the role I see. And I'll tell you that I get more, more and more enthusiastic and optimistic every day in this job. Primarily because every day, I'm uncovering the value of this business and finding value in the people I engage with. But more importantly, because a lot of my time is spent out with customers and with partners, over the last 6 months, I think I would have seen in excess of 100 customers and prospects and partners across enterprise and government in every state and territory of Australia. And they are looking for optionality. And that's why I get excited because if we get it right with our network and get it right with the product layer that we've put on it and we get it right in the targeting, and we get it right in the people upfront our market, then we're going to take market share.

And really this is about market share for me. I'll talk a little bit about it and go into more detail but in essence, in enterprise and government and wholesale blended, we only have 6% of the market share that's available to us. So we're a low market-share player with a big market share to go up. And I've worked in incumbent positions where you get up every day and you are battering off annoying people at Vocus, and you're defending your legacy revenues. And those legacy revenues are being eroded every day. And consequently, as they get eroded, you've got to look at your cost line and therefore, you've got to take out people. And that's what we're seeing happening in the market. And that's what also gets my enthusiastic because the sets of customers now and certainly, I was in Perth last week, who are sort of saying, "Please, please help me. We want something different."

So what do we do well? Customers, we do, do well with customers. We have 6,500 customers across our customer base. So I was talking to a lady from CBA just before and was asking about customers and generally, banking overseas got its challenges and how you look after customers as does telecommunications. But at the end of the day, you've got to do a better job with looking after existing customers you've got and bringing innovation and new ideas and new capabilities. But in some cases, it's not about having to go and acquire another 1,000 customers. But more, you've actually got a customer base to build on, do more with, sell more products to, grow revenue in, as well as strategically going after a set of customers who have requirements that meet our -- or have needs that meet our requirements.

When I think about the people, there are some brilliant people in this business. Having worked in submarine cable businesses previously in Asia and then having worked in -- in and amongst engineering organizations and product organizations, what I found in Vocus is some of the best people I've ever seen in engineering. Their ability to engineer complexity and complex builds in engineering and fiber networks and deliver on time and ahead of budget in difficult environments like a recent Coral Sea Cable up to Papua New Guinea and the Solomon Islands are as good I've seen anywhere in the world, period. Not just Australia but in the world. So we have pockets of brilliance. We still have work to do, and I'll talk a bit about what I've got to do in transforming, to an extent, some of my organization, but there's some brilliant people around this business.

Delivery. The bugbear of many telecoms companies anywhere in the world. Customers want things. They don't buy telecoms just because they want to get a bill and buy something. They buy because it's now the lifeblood of the business. They are transmitting pieces of data to trade in a market, to buy from suppliers, to connect with customers. And increasingly frustrated in 2019 that it takes 6 months to deliver something. I can tell you, in previous roles, I would be spending 1/3 of my time dealing with customer issues, people complaining that they've ordered something 6 months ago, has not been delivered. That bill is wrong, you can't fix it for 18 months.

I think in the 6 months I've been here, I've had 1 customer complaint and how I dealt with it was I got the Chief Operating Officer, Ellie, on the phone, head of networks on the phone, head of products on the phone, half-hour meeting resolved it, resources allocated, customer network up within a week. That is impossible, impossible in many other organizations. And so our ability to deliver -- particularly on that, we're delivering services in days and weeks, not months and then sometimes, year, elsewhere in the market. So our on-net delivery to our networks can be about 30 days on average. But the other day, we had a customer call us, had an emergency situation where they need something configured, 3 days in delivery. So the ability to galvanize -- in many cases because all of our resources in the VNS business are onshore, you can actually go and walk over to someone's desk to get things done.

Our fiber is impressive and is a brilliant asset to build on, but we've got to sort of start layering products and services on top of it to make it increasingly more relevant to segments of a market that we can win in.

And secure. The one thing that's really stood out for me is our ability to deal with federal government in secure networks, and we're very trusted in Canberra, in and around that, in terms of our secure networks. So lots to be optimistic about.

And then you think about, well, why do our customers choose us? And across Vocus Network Services, we serve enterprise, we serve government, federal, state, local. We serve wholesale. We serve international players. And so people buy from us for a myriad of reasons. The impressive thing in the enterprise space is we serve nearly 60% of the ASX 200. Our challenge may be however, that we have a discrete disaster recovery service or parts of a network, not necessarily all the network. So I think about just the conversation this morning about banking, we have services and networks with 3 of the top 4 banks in Australia. But we don't have the dominant services contracts with those banks because they have big, long-term outsource contracts elsewhere. That's not the business we're in. We're not a managed services provider. We will manage elements of the network. We are a thoroughbred infrastructure network provider and people will buy from us for diversity.

Equally, we have sets of customers who buy entirely from us. All of their network, all of their voice services, data center services, cloud services. We're not a mobile player so we don't do mobility. We have some optionality in an MVNO but we haven't enacted that in the enterprise space. It is not our intention over the next immediate sort of 1 to 2 years to consider mobility as an option in terms of selling mobile fleets, for example. We may consider it in terms of part of network solutions for wireless into deployments.

We are trusted. So typically our average customer tenure is about 31 months to be very precise, which means when we have customers, we tend to keep them. And some of our biggest customers have been with us for over a decade in the various forms of the Vocus family. Crazy about customers. We are crazy about customers. We care about them. It hurts me -- personally hurts me when we let a customer down. We don't do it very often and we galvanize when a customer has an issue to go and solve for their problems.

An Australia and New Zealand network. That's not to be understated because we are the only carrier now in -- operating in Australia with a wholly owned entity in New Zealand, with Australia and New Zealand networks, and we're winning off the back of it. Kevin and I were on a call the other day with a customer who's giving us the go ahead, and this was a great story actually. This is an engineering firm, big structural engineering firm, U.K.-based. Went to market, asked for submissions from market, all carriers in the Australia would have responded. We were the first to respond with the most compliant response, economically the most favorable and the best service terms. And so they awarded it to us. Half of the network's in New Zealand, and the fact that we own both networks played a big advantage.

Now when I'm not getting deeply passionate about customers, and when I'm not chasing my 4 young kids around or coaching them sport, my obsession's cricket. So when I look down the customer list and I noted Cricket Australia as one of our customers, it was the best day of my Vocus career on day 1. I said, I need to go and see Kevin Roberts, the -- I'm also on the board of the Bradman Foundation so I'm -- I sort of love my cricket, I need to go and see Kevin Roberts. So Kevin and I caught up in Vocus, successfully renewed the relationship with Cricket Australia, which is public domain, we sort of put that out. And basically, we've extended their network of their -- helping them to sort of create a digital experience for cricket fans around Australia. I would like to say that Mitchell Starc's outstanding performance in England in the World Cup or Smith and Warner's integration back into testing is due with Vocus, it's not. But in those small part, we play a part in it and they have extended their services with us. So we have some brilliant customers that we have a lot of fun with and we do a good job of looking after them.

But in essence I think really for us, we're a challenger. And what a challenger needs to do, they need to be fast to respond, they need to be more agile in how you price things and deliver things, and economically, because of our -- the fact that there's only sort of 1,400 across the organization and we own the network asset, we can be compelling commercially. That's why we're easy to do business with.

And as I said, it is a market share play here. We only have about 6% market share when you blend it together across enterprise, government and wholesale. And in the enterprise and government space, at least in the enterprise space, we've got about 4% market share, slightly higher in government, about 11%. By the way, we take these numbers from what's contestable. So we strip out mobility and these numbers are taken from data sources like Gartner, Ovum and all of the analyst reports. So you can see at that level, there's a big upside opportunity here.

And when I think about the opportunity, I get incredibly excited, because really what I've got to do is quite simple, is to do more with my existing customer base. Three things I think about: One, do more with what I've got. So my existing customers, do a better job of looking at after them, ensure they don't leave my network and bring them incremental value and capability to on top, that could be unified collaboration service, it could be voice, it could be more data services, it could be disaster recovery, it could be a series of things depending on where you are in the majority of our customers.

Two, make new markets, so create new markets. And making new market is good fun. That's where you think about your network asset and you think well, if we were to do a strategic build here, we could really do something quite sophisticated for mining oil and gas in the West, and Kevin will talk a bit about that.

And thirdly don't disrupt and dislodge. And one of the reasons I joined this business was because I get incredibly passionate about winning, competitive bugger, you could say that. I am indeed, and I love winning. And I don't shy away from that. The best of my career was the sort of priorities was in Asia, opening up new markets all over, going into countries we have no right to win and then winning. And so I get excited by that. And right now, the window has opened up. There is no better time for Vocus to take advantage of what's going on in this market.

I am only stating what's publicly domain information about what Telstra has done recently in its enterprise and government organization or what Optus may have done in terms of de-prioritizing or at least managing its cost base, what does that mean? It means that customers will get less coverage from an account manager or a service solution or from a billing resource to solve for their problems. Telstra has stated it will focus very much on its top 650 customers. Well, you know what, 650 customers sounds a lot but there's about another 14,000 or 15,000 other customers who are going to be managed in a different way. That presents optionality.

I was in Melbourne the other week, met a significant amount of customer, spends around about $4 million or $5 million blended across a number of carriers. And their statement to me was, "I don't feel big enough for some of the dominant players in the market." My response was, "You would be certainly big enough for Vocus. And we'd love to do work with you." And they want that. They want to feel needed. They want to get response. They want to see people. They want to have people bring them innovation, and that's what we can do on a world-class network.

So that's the opportunity for us. It's really about taking market share. It's about making new markets, and it's about bringing innovation to the existing customers.

The network is a brilliant network, particularly on inter-capital transmission. And in some parts of our network in the West after our Amcom acquisition a few years ago, we have a very dominant position. We're sort of second in market only to Telstra in the amount of fiber we've got through Western Australia in Perth kind of CBD. So in that case, we might have some sort of 11% market share versus in Metro Sydney and Melbourne where we're one of a number of fiber carriers and we wouldn't have a dominant position in coverage. But between that and an inter-capital network, well, we get a lot of relevance and we see a lot of demand, significantly, as Mark will go through on OTT players and international wholesale players coming in, we've got a really unique advantage in many places.

But we're blessed with the fact that we're an industry where demand is growing. And demand is growing and the insatiable demand for data just grows and grows and grows. Upgrades on network capacities driven by people moving to the cloud. I think I saw something in Gartner saying, only 30% of Australian enterprise and government organizations today consume public cloud. And by 2023, I think was the year -- or 2023 to '04 to '05, that would move to 80%.

And what does that mean when you move a traditional workflow. What it means, it goes from a customer's premise to a hyperscale cloud environment like an Azure or a Google or a AWS or Alibaba or AliCloud (sic) [Alibaba Cloud], and in that, it sits in an environment that it is cloud-enabled. What that means is you have to have big network and highly resilient and good network to carry you from the customer premise and its branch to the cloud to consume now your applications that are sitting in a cloud environment. That drives bandwidth.

So there's good examples why data is growing. Video utilization. I'm not sure you guys, sort of travel budgets get cut, you do all videoconferencing. It's all driving network utilization. AI, machine learning, IoT, digitization. I mean if you go and ask any CIO, the #1 thing on their mind is usually security and digitization, and how you digitize processes, all demands network. Of course, we sit at the center of that. And that's why you'll continue to see the demand on networks.

When I think about what we've got today and the customers we serve, as I said, an impressive customer list when you look at it and when I first came, how to look at it, I was like, "Wow, some amazing names on there." But we might not have done a great job of making ourselves relevant further than a discrete service we've sold, or some racks in the data center or a piece of network. And our job now is to sort of say, "Okay, how do we move further into the organizations that we have today? And how do we go and be very focused on the sweet spot of customers who are probably spending $1 million to $3 million or $3 million to $5 million elsewhere in their market that have high data network usage and requirements for voice and collaboration services?"

So 5,300 enterprise customers, 200 government customers across federal, state and local. Geographically diverse. I've got people in every state and territory by Tasmania. And as I say, impressive in list of customers, and we have a usual kind of skew where 50% of our total revenue comes from 200 customers. So in some cases, my largest enterprise customer spending $10 million a year with me, and we have all of their network and data center services, and then it slides down. And we do have a very long tail of customers who may only have 1 or 2 services, and we're working through how best we become relevant to them to continue to hold that but grow more in there. And in government, we've done a slightly better job of sort of bringing more services to government, either in secure government or federal or state. We're on the panel, which is important for all of the states and territories, and we have good agreements all over the nation to sell services to -- data services to. And now we're seeing our state revenues grow, and I can see big opportunity in state revenues, particularly many states who are looking at putting extra funding in for regional and rural services. And our network, in many cases, plays to that opportunity.

So that's a little snapshot. So 70% of our revenue comes from fiber and Internet. I would imagine over time that would remain reasonably consistent, but we will grow the pies in our voice and our DC and cloud revenues by proportion.

But what I would say is what I'm not intending to do is build a massive managed services organization. I've been on that road there before and it can incur an awful lot of cost and complexity in your business, and that is not what we need to do. There is plenty of market share against the capability we've got today with an incremental capability in our product to take the market share.

So what are our growth drivers? I've said it already, being very targeted in our approach to market. Being very specific about the customers we serve. The beauty of only having 4% market share is it you don't have to be everything to everyone. You can be selective about the customers and marry up to where our relevance is.

We've just done a brilliant piece of work in our business where we've built a fiber data model and we've put in a geo mapping of all of our data, overlaid it with other carrier's infrastructure, laid over every business in Australia and you can start to really see hotspots about where we should be targeting based on where our network goes past and based on where our network is strong. So we're getting very sophisticated in how we market to organizations who will be relevant in acquiring our services.

The product set, I'll come onto in a minute, rationalizing that, simplifying it and bringing new capability to market. Our channel, it's a big overhaul in the channel. I've brought in a new channel team. Channel is a big opportunity. Everyone has a channel, but having a channel that gives me reach into customers that I might not want to directly be serving, but also a channel that brings me capability I can on -- sell to my customers who want to consume more from Vocus.

People. I've said we've got some brilliant people, but you never inherit a perfect team. And if you sit and say you've got the right team, you definitely haven't. You got to keep on your toes and have the right quality of people fronting our customers and being able to realize against the opportunity.

Partnerships. I get pretty excited about this. Bob and myself and Ellie and Vic went over to San Francisco, into the Valley, spent a week in the Valley, saw every one of the big tech companies you can imagine. And they were extremely interested in what Vocus is doing, a challenger that will challenge, a company that they can engage and get things done quickly that won't take 2 years to get something up and running and has an energy and appetite to really disrupt together. And you'll see some announcements that we'll come out with. But we are bringing some good partnerships to market here in Australia, which I think will uniquely position us to start to sort of get more relevant to that customer set and win new markets.

So we are targeting how we go to market, and this is really how we think about it. We think about it left to right, and Mark will touch on wholesale international. Government and special projects, as I said, highly, highly relevant in Canberra. We have over 350-odd cleared people in our organization. So we're very relevant in certain projects for the government and also where organizations are wanting to cofound and build things. So the recent Coral Sea Cable that we've built was funded by government monies. And we engineered, constructed, built, and we'll hand over that network. We will continue to do those big projects over time. And there is an increasing demand Kevin will touch on up in the Northwest in gas shelf. You will have been reading about what's going on up in the Northwest and in mining to build and construct services in which customers will contribute capital themselves for us to construct. And we will get long-term annuity revenues on those constructions.

And then enterprise, being very specific on really focusing on the areas where large consumptions of data are required. We're getting quite a lot of good traction in banking, banking and financial services, recently won a material contract for us at least in which we are providing over 200 high-capacity services for a financial services software company. And that's a beautiful thing because where we have to construct any new networks, it's going into points in the network where other financial services companies interconnect. And therefore, we've got a chance to leverage those -- that capital deployed to go and gain more customers in financial services.

And as I say, even outside of some of the large contracts that exist in the market, we're being considered for discrete services or for voice services or for DR. So we're getting really good traction in the market on that space. And when I was overseas and working in another organization with a lot of financial trading companies and investment banks, I've always struggled in Australia to find responsive companies who can deliver Ethernet services to connect market data information onwards well. That is Vocus, and we're doing well in delivering metro Ethernet for financial services organizations.

And finally, our indirect and alliances and channels, we will use to manage parts of the market that we won't directly engage with. Could be SME organizations or midsized corporate organizations, slightly upfront. And it's Commander organization who will, on our behalf, sell network services.

So when I think about product, and as I said, I have the responsibility for product and marketing in the organization, in the VNS organization, we think about it in 3 quite distinct layers. There's the networks and connectivity. You saw before 70% of our revenues come in that space. It will continue to be the dominant part of our business. Cloud platforms and security and workplace and collaboration. We have really good collaboration platform with our BroadSoft platform, but we're investing further in this year to bring up and beyond the market in terms of capability. That is a great platform, and we're getting increasing growth rates in people adopting our collaboration and UC services.

But I would say my observation -- one of my observations I've been in Vocus has been a -- I suppose I would call it a product depth, if you like. We've underinvested probably over the last 2 or 3 years in the products that are relevant to sort of help us take market share. And that's where we're putting all of our discretionary money in the product sets to sort of, one, simplify. And some of the simplification is cost out as well. So there's sort of 90 or so products that we're going to simplify down by 50. We'll sort of retire them, [cease sell], and move customers onto new products which are a better customer experience and allows us to retire some of that legacy and take cost out of the organization. We won't do any of that unless -- if it's going to disrupt the customer. So the way we will go around it will be sophisticated, and we'll offer optionality for our customers in that.

But moving forward, NBN will expand our reach and our network through that, and I'll touch on NBN in just a minute. International capacity, so for particularly wholesale, but also my enterprise customers are demanding international capacity. Quite frequently, we're bidding, and we're bidding not just in our Singapore Cable but capacity up to the U.S. or networks further into Asia and productizing that and make it easy to consume for our enterprise and our government and our wholesale customers and growing our voice and collaboration platforms.

So ultimately, we get to a position, and Ellie will take you through over our future state networks that in 2 but not waiting for 3 years, progressively we'll be able to come to a position where we're digitizing and virtualizing our network. And we will start to take some leadership positions in the ability for inter-data center transfers of networks to dial up, dial down, edge and premise-to-premise network configuration, which become software-enabled, and that's pretty exciting stuff.

So NBN, people are saying -- ask me that question, is it good, bad or indifferent. And Kevin has not been backwards in coming forwards on his views of NBN in the consumer business quite rightly. But in the enterprise business, I look at it in a slightly different way. And that is that when you've got a network that -- we're connected to 5,500 buildings. We're not economically in a position to go and connect to another 20,000 buildings by connecting fiber. That's not a sensible use of capital. But rather, you have NBN who's rolling out fiber and connecting fiber to the majority of the metro areas and some regional areas in time that we can then consider where for a network solution we can use NBN as a tail access in and onto our backhaul network.

NBN's also disruptive. So I love disruption because that helps me. They're having conversations about NBN networks entirely replacing retail networks for an example that exists on other incumbents, but they can't supply it directly. They need a service provider to supply it, and we're a consideration in that service provision.

I spent time with NBN. I invest in the relationship. I was only with them yesterday. We meet monthly on an executive level, and we get down to product level, pricing and more importantly, customer planning and mapping. And we're jointly working on some very interesting government opportunities. We recently won some health services for a big state department with NBN, and that gives us an opportunity. And these revenues can be several millions of dollars. Admittedly, the margins aren't as high as if it's all on your network, but the reality is it's still pretty good blended margins when we win and play with NBN as long as we're getting the right mix of our network and an NBN network or a third-party network.

We're launching new products with NBN. So we're bringing to market NBN Ethernet. And the NBN Ethernet pricing has just been refreshed, and it's incredibly compelling. In my view, that means we can be more aggressive in the market in winning with Vocus and NBN. And also, that means we can go and acquire customers. And once you've got customers on your network, you can start to layer those services and those unified services on top. So I'm pretty bullish on NBN and what it can do and complement our capability.

Government. As I said, good opportunities in secure and state government. We have -- we reckon about 35% of our market opportunity is in the state, and 65% is in federal. And we're making good inroads into state government, leveraging the panels that we've already done the hard work to get on and making ourselves more relevant in terms of how we've organized ourselves, the products and capability that we're bringing to market and our positioning in there. We recently brought Luke Coleman in, in terms of government relationship -- government relationships. Bob and Kevin are very active in Canberra. I'm very active around the states. We want to be disruptive, and we want to bring optionality for government, and I sense there's a big desire for that.

So finally for me, when we think about channel, and I mentioned people and partnerships, these are things that I'm kind of really focused on over the next 12 months, getting the channel right. What I've inherited is a very long channel that doesn't really prosecute much and hasn't really been well-enabled, rather enabling a tighter channel with more capable -- or capable -- not more but increasingly capable partners who can realize, with the same cultural ambition that we have, market share growth, partners that will help us move services to the cloud, workloads to the cloud. So not just traditional network partners but cloud partners, software partners and partners that can provide the level of managed services where our customers are demanding it.

Our people, we'll continue to invest in. Sales methodologies, bringing ourselves up every single day to a higher level, keeping the bar moving, keeping the bar moving because at the end of the day, business-to-business sales is not going to be replaced by computer anytime soon. And you need to front people to enterprise organizations who are sophisticated in their buying and government in buying with the right people who can have the right level of conversation.

And finally, strategic partnerships, I've mentioned on. We've brought to market our first SD-WAN with Fortinet. It's been quite amazing.

We're in advanced conversations with Google on coming jointly to market here in Australia to enable people to move to the cloud. And when you think about that sort of partnership, you have 2 challengers. Not that I would think Google is a challenger. We think it's a leader. But in cloud, it's actually a challenger. Two challengers coming together to disrupt in the Australian market gets me really, really excited.

So in summary for me, the market opportunity seems to be growing and growing and growing. And our job is to make ourselves increasingly more relevant to the customer set we've got, acquire customers in a very defined way that are relevant to our assets and make some new markets, which we'll talk about with Kevin, and build the capability of the people and build the capability of our products and build our brand back in the market so that people are taking us seriously in consideration.

I'm now going to hand to Mark, who's going to now take you through wholesale international.

Mark Callander ***Vocus Group Limited - CEO of New Zealand, CEO of Wholesale & International & Executive Director***

Good morning. Firstly, I'll start with the fact that Andrew and I have quite a unique relationship because Andrew seems to want to talk about cricket all the time. I want to talk about rugby all the time. So there's lots of really awkward silence between us. But other than that, we get on pretty well.

Before I dive into the slides themselves, I think it's important just to restate that the market context that Andrew refers to in terms of bandwidth growth, cloud adoption, digitization is essentially what's fueling the wholesale business. So a lot of the market context that Andrew has covered is a key part of the driving force behind all the wholesale stuff. Hopefully, over the next 20 minutes or so, I'll give you a deeper dive in terms of the wholesale business and also more importantly into the international business. So hopefully, there will be a layer of detail that you haven't seen before that will give deeper insights in terms of how we think about the wholesale services and how we go to market.

So first starting with the slide. So a key point that we didn't really touch base on is if you go from left to right, the far left-hand side is really where our high-bandwidth opportunity exists. So your global OTTs, your international carriers, networks and connectivity, transmission services, wavelength, Ethernet, backhaul. That's the good oil. That's the high-margin, high-earnings leverage.

The second point there is data centers. So data centers, while less by revenue, is really critical to the point that Andrew made around hyperscalers. All right. So connectivity and having a presence in all the major data centers is critical in terms of the customers we're dealing with, large international players and domestic carriers as well.

The third vertical that we target and play in was obviously the domestic market. So managed service providers, RSPs and service integrators. Again, predominantly focused on our network and connectivity services, and we've got a little bit of NBN as well.

So [as we heard from] Andrew, a very small customer base. It's about 1,100 customers and it's around 200 that drive 90% of the revenue. Okay. The thing that was most impressive again when you look at this organization, the customers that we deal with, we deal with nearly all the key players in the market. All right. So on that basis, the big opportunity for our wholesale business is the white space opportunity that sits out there.

The vision there is to be the first choice. I'd say a lot of the time, Vocus is the second choice. All right. So players that require diversity. We are first choice for a lot of customers, but they're big opportunity for us. Similar to the enterprise space, how do we get better penetration in the accounts we're dealing with. All right. The stat there again, top 100 customers are 80% of the revenue. All right. So we have really, really good penetration with all the key players we need to be dealing with. The focus for us is getting better coverage within those accounts.

The team itself, very, very small and efficient team. So $7.5 million revenue per employee. There's about 35 people in the team. All right. So from that perspective, obviously we have -- the channel partners we deal with, that we enable, and we have a really small and efficient team that deliver great earnings leverage for this company.

International, I am going to touch base on later. But we're already up to 4.5 terabytes of international data. So this is a combination of both our ASC capacity that we're selling and also on our Southern Cross and a little bit on SEA-ME-WE3. But we're really getting really good momentum in international space, and I'll cover that a little bit later. Again, in terms of the customer penetration, so very high spend per customer, average of $24,000 of revenue per wholesale customer. All right. So again, our focus on driving the white space strategy in here is to continue to increase that value quite -- exponentially, and that opportunity is real.

Giving a bit of a flavor, I talked about on the previous slide the 2 main areas, the OTTs, the carriers, domestic and both international, about half of wholesale's revenue. The other half comes from the MSPs, the RSPs, which we reflect on that chart there. So domestic carriers, obviously we deal with all the major domestic carriers. Again, we should be able to penetrate further on with those customers, but we have really strong penetration revenue coming from those guys.

All right. In terms of the discrete markets we plan, there's 4 areas that we think about from a wholesale context. First and foremost is the reseller market. Okay. So this is where we're providing NBN services or inputs into an NBN solution. Again, when you think about NBN, it's not just about the NBN service. It's our network assets as well. So we're providing backhaul and transmission services around the country. That's a key enabler for NBN. Key point from a wholesale perspective is we float on the tide. So there's plenty of challenges that we hear about -- frequently about NBN. From a wholesale perspective, we float on the tide of what NBN does. So we are a key enabler, but in theory, we manage our pricing while we float on the tide to make it a profitable outcome for us.

The data center connectivity, the key point on this one here is we have to connect where our customers need to be. All right. So this comes back to the point regarding hyperscalers, cloud connectivity. All right. We're connected to 20 plus data centers. We continue to connect to plenty more. We have to be we our customers want to connect. We'll often lease [and IRUs]. We'll actually do customer-funded builds. Sometimes we'll do build ourselves from a network perspective. So there's a range of commercial models we look at here, but the connectivity is absolutely critical to fueling the wholesale business and also driving growth in our enterprise.

Talk about the last 2 here. This is our -- what we call our good oil. So we're not talking about good earnings leverage, right? So these are our data-centric services. So managed data services. Again, our Ethernet, dark fiber, wavelength services that provide. It's about sweating our assets, all right, and coming back to that left to right position for the wholesale business. We need high-capacity, high-bandwidth uses on our network.

The positive thing with those services there is typically they are longer-term contracts. So again, we'll discuss with customers that either want to go to an IRU-based model where typically we get funds upfront versus typical term leases which can range from 2 to 5 years. So again, it's a key focus for the business.

And clearly, international data. So I'm going to touch base in the next few slides to talk a lot more about our international strategy, how we've gone with ASC, how we think about swaps in the market. Again, I don't think the market has a good understanding of why we're entering to a swap in the market and why it's relevant for our business. Since launching ASC, we have had a phenomenal uptake, over 3.5 terabytes on the system so far. And our key moving forward is how do we use that asset to drive revenue both from an international perspective but also domestic pull-through of services as well. And I'll cover that off.

All right. ASC. So the most fundamental thing when I look at this chart, behind me here, if you go back 12 months ago, all Vocus really had was a small amount of capacity on SEA-ME-WE3 and some Southern Cross IRUs. All right. Having completed the ASC build September last year going live, we're now in a position -- if you look at this map here, through the ownership of ASC, we've been able to engage directly with all the major OTT players. And we've been able to use those relationships to build and develop strategic swaps to build out our international business.

All right. We didn't really have the right to play in international until we actually built the ASC asset. And the key point, which I've already reinforced there, is cable -- the big OTT, the big international carriers only want to deal with cable owners. So I've highlighted here, we have ASC. We now have 3 swaps we've done. We have capacity on the Indigo system. We have further capacity going up to the U.S. on another system. And then we have capacity up the top via Guam into Hong Kong. So for the first time, we're in a position where we actually have a right to play in the international market. All right. We are focused on bringing traffic within and out of Australia, both the

East and the West Coast.

The other big thing that we're really leveraging at the moment is the swing of Internet traffic to the West. So the forecast from TeleGeography is that there will be, by 2024, around 75 terabits of demand required on the West Coast. All right. Good news for us is our ASC system, as we're going to announce shortly, is now a 60-terabit system, which is great news. It was -- originally, the ASC was 40 terabytes. That's now a 60-terabyte system. But the demand on that system within just a few years is going to be 75 terabits. So we're incredibly well positioned to leverage the explosion of that data that's going to the West.

Okay. A really important point worth noting is with the ASC going live, we actually sold only 10x the capacity of the entire SEA-ME-WE3 system. All right. So the SEA-ME-WE3 system had about 500 gig on it. All right. We're at 3.5 terabytes within the first 9 months of going live. That's a good illustration of the latent demand that's been building up in terms of the West Coast traffic.

In terms of big trends within the international market, I'll then propose, I'm going to go through all the stuff on the right-hand side. But I really, really want to focus on why Vocus is different. So what -- why would a customer choose to deal with Vocus over other opportunities in the market. So in terms of ASC, again it's designed. All right. So it has 4 fiber peers versus the Indigo system. So the design is a big advantage. The capacity on the system, we've got 60 terabytes with one owner versus 36 terabytes on the Indigo system with 4 owners. All right. That's a really big difference in terms of the capacity and control we have over that system.

A really big point is the ability to deliver data throughout Australia. So we can bring traffic into Perth and then based on the customers' requirements, choose to drop it off anywhere else, anywhere throughout Australia. That's a big point of difference in terms of pull-through services. So it's not only being able to drop the data off. It's also starting conversations with a lot of the international players on other domestic services they require. All right. A lot of the international players that we deal with didn't realize we've got a big voice network. And we have voice capability that only came about when we were starting to engage with a lot of these players with ASC, the likes of [ITW] and [PTC]. So the awareness of ASC and the conversations we now have with the players, it was night and day to what it was 12 months ago.

With the strategic swaps which I already talked about, we're also able to offer protected services. So what that means is for the larger players who are always going to buy protection themselves, we can go to the smaller players in the market and offer protected service. So should any of the cable systems break, we'll have automatic failover to another system. All right. So that's a really critical driver behind some of the swaps that we've been doing because we see a big opportunity to play in the smaller demand capacity market where we can offer a point of difference by offering protection on ASC and other systems. And we think that we have a big point of difference that the others don't have.

And obviously, 100% Australian lines, which just makes life a lot easier when dealing with certain customer segments. So that's great. In terms of the capacity itself, it's no surprise that the OTTs and the international carriers that are driving the bulk of the demand. So close to 70% of the traffic we see today in the systems coming from the OTTs. The balance is coming from domestic carriers and international carriers.

We thought we'd take some time to try and explain the swap without getting too technical and why would we actually do it. So when we look at our international go-to-market strategy, we obviously have the ability to sell capacity on the system. All right. So customers will come to us. When they come to us, we'll consider the amount of capacity they want to purchase, the type of capacity they want to get, whether it's an IRU-based deal or a lease-based deal. And essentially, our job is largely to manage yield and manage pricing to get the best outcome for the organization.

The other option that we do look at from time to time is the swap. The key point with the swap is actually a conscious decision we go through. So a swap -- a party will come to us and offer us capacity in another system. We'll look at that system and go right. Can we displace cost in our business? So are there earnings we can get by getting cost out of our business? Alternatively, will it give us some strategic reach or a point of difference to offer another service? And I think a good example of that is again capacity on Indigo enables us to offer a protected service that we think we'll be able to get a unique position in the market to get additional earnings.

Some of the other swaps that I had up there were about cost displacement. In fact, in Ellie's area, for example, some of the Indigo capacity means we'll be able to get rid of some third-party costs through our network. All right. So there's a conscious decision to think about the swaps, and they are going to drive an earnings outcome for us one way or another.

The key aspect on the swaps. Again, we work really closely with Ellie's team from a network planning perspective. So it is not some crazy salespeople out there trying to get commissions. It's actually a conscious process that we go through from a network planning perspective. They are seeing the demand on the network, traffic on the network, and our teams work very closely in terms of working out the best commercial outcomes for those customers.

In terms of growth for the wholesale business, again the luxury I've had a big focus on, this is throughout 6 months now. Prior to that, I was doing Andrew's job and a few others. And wife's very happy that I'm now just doing wholesale. I've got a bit more time back at home, which is great. But the business again like many aspects of the Vocus business was there is a need for improvement. It was a little on the churn in terms of how it was going about things.

And I think sales enablement is a really great example. And we have a team that is very, very focused and very sales focused but really didn't have the support or systems in the background to deliver the growth ambitions that we have in the business. So we have established a sales operations function that now sits within wholesale, purely focused on wholesale customers and our international customers, about delivering better customer outcomes from a sales enablement perspective.

A key part of that, and Ellie will touch base on this shortly, is what we want to do in terms of online ordering and APIs. All right. So we have to simplify the product to go to market with, and we have to make it easier for our customers to order. That's going to be a big part of the growth from a wholesale and international perspective moving down the track.

Pricing and commercial. Andrew didn't touch base on this, but we've actually established a pricing function within Vocus. The purpose of the centralized pricing function is again largely to get consistency and discipline in terms of how we price and how we go to market to get the best returns for the business. All right. So we no longer have a scenario where we have different parts of the business conflicting and fighting. We have a centralized, disciplined process that sets pricing to the market to get the best returns for the business. Sounds simple, but it's a big step forward for an organization like Vocus, and it's going to drive discipline right across the business.

Aligning of incentives is really important. So again, the essence of Vocus Networks now in terms of how we operate is we've essentially eliminated conflict. So between myself, Ellie, Andrew, we are very focused and aligned on making sure we get the best outcome for our customers and the best outcome for the business. So getting alignment of those incentives is really, really critical.

In terms of go-to-market enhancements, we've actually established a dedicated product and marketing function for wholesale. So again, we've historically -- turning up to events and doing a great job at selling and networking. But we're going to have much more purpose in terms of how we're going to market and how we're winning. All right. So again, the essence of what Andrew and the team are building, again there's much more conviction and focus on the sort of products and propositions we're taking to market, what the Vocus brand actually stands and means for and investment in that brand so we have relevance in the markets we're going to play in.

And as I already talked about on the international front, we are actually building an international -- we've already done it. We have an international sales team set up and established. Prior to that, it was just managed within the existing wholesale sales team. The purpose of having an international team is obviously we have been building those intimate relationships with our international customers. We can focus on pull-through of domestic services. We have more relevant conversations because we understand what's driving those businesses, what's driving their business needs, why they're choosing Vocus, why they're not choosing Vocus. So we're having much more in-depth, broader conversations with those customers.

The final area there in terms of what we're looking at is having a presence in Singapore and potentially the U.S. Singapore is probably a higher focus for us. Again, why do it? It's having those intimate conversations. It's being there. It's being in the locations where people are making those decisions. A lot of the buying decisions again for a lot of OTTs are now based in Singapore. A lot of the DC investment and capacity investment is now going into Asia as well. So we have to be there if we want to be a player in this market, and again, it's been very easily drawn on the experience of Ellie and Andrew in terms of their views in terms of where we need to have a presence and where we can succeed in one.

And on that, I'd like to think I'd get to hand over to Ellie.

Ellie Sweeney ***Vocus Group Limited - COO***

You do get to hand over to me. Well done. Thank you. Guys, I woke up this morning and I had a photo on my phone and it goes off and tells you where you were this time last year. And this time last year, I was in Lisbon and I was about to start walking the Camino de Santiago. It was on my bucket list. It was something I had really wanted to do for a very long time. And so -- and I thought about today the difference between last year of being in Lisbon and today, I've got to say, I'm even more excited about being in Sydney, my hometown, and being able to talk to you today about some of the things we're doing in Vocus Network Services as well as the wider group.

You're probably getting the feeling that we are quite an aligned group, and I hope that's coming out. Over the last 6 weeks or so, we spent a lot of time together going through the strategy. I think it would be fair to say that all of us could interchange each other's roles and probably give exactly the same speech for each other. We know it that well. The comment that Mark made before about international, yesterday we had our international session. We have the product team, the sales team, all the guys from the capacity planning teams. We have May. We have the legal team. Everybody is on those calls to really make sure we are aligned across the strategies that we have.

And I hope you're getting the feeling that not only do we have a great team but we've got a great opportunity. And very clearly, we think we have an opportunity to make -- to take market share in the Australian and also the international market given we are really underindexed in terms of the performance of our market share versus the fantastic network assets that we have.

We've mentioned a couple of times this ambition of being a specialist fiber provider in Australia, and we are really, really committed to doing that. One of the guys that I like looking at, a couple of companies internationally, one is Zayo and one is Colt. Carl Grivner is the CEO of Colt, and he wrote something that I read the other day. And it was Colt was in the lucky position not to be distracted as some of their peers were by trying to get into media or to get into being a big SI player or advertising or all those things you've often heard telcos talking about getting involved in. From our perspective, we are absolutely laser-focused in terms of our aspiration and ambition around our fiber network. And it's a really great position to be in because like Colt, we are not distracted in terms of some of those other areas.

Let me talk about the jewel in the crown, if I could say that, and that very much is our fiber assets. And if you look at this slide, and you've probably seen slides like this before, there are a couple of things I'd probably call out. That inter-capital network that Andrew has spoken about, over 15,000 kilometers on that network, and quite frankly, more capacity to offer our customers there as well without investing a lot of CapEx. We've got over 9,500 kilometers of fiber within our metro and our regional areas. Now that's important for a number of reasons, but increasingly as customers want to move closer to the edge and as cloud compute becomes more available, it's a real asset for us to have close to 9,500 kilometers there as well.

I think we've mentioned a couple of times the number of on-net buildings. So we have over 5,500 on-net buildings. So they are lit by our cable. Again, as you start to see the advance in technology around things like PON, so passive optical network, which is point to multipoint rather than point to point, that's a real asset for us in terms of our ability to reduce the cost of service well within our business.

We're connected to over 17 sports stadiums. I work with 2 colleagues who are obviously very keen on the sport. So 17 stadiums in Australia are connected. And I think we've probably done to death the commentary about ASC, but it's a great investment for us. And Mark makes a very, very valid point. It's not just bringing in OTT or the fangs from Asia into Australia into the West Coast. It's clearly bringing them across into the East Coast, and obviously without terrestrial cable systems that we have, that's a real advantage for us.

In terms of data center, Andrew's already mentioned it, we have 17 data centers here in Australia, 3 in New Zealand. And we have business continuity in 2 of those data centers, which again we sell to a number of our key clients as well.

And I've mentioned this comment about delivering security. That is something that obviously is increasingly important. Andrew mentioned it. He spoke to most CEOs. They will always say that cybersecurity is one of the key things on their list, as is getting the right skill set. From a cyber or from a security perspective, particularly for our government customers, this is actually something that we spent probably the last year really developing in far more depth than we had previously.

And look, I wanted to mention a couple of things just around our proven ability. Often within organizations, when you look at yourself, it's very easy to criticize. But I would say coming into Vocus, it was definitely coming into a business that is running really quite well. Many years ago, I started as a very young person, I was about 25, and I got this great opportunity to run the contact centers for Telstra in New South Wales. And on the first day I started, there was a deputation in the room. They said, "Can I -- we come and see you?" And I said, "Yes, I'm in a meeting for the rest of the day but come and see me at the end of the day." When the end of the day came, there are 100 people in the room and people were crying. It was that broken. I think if you are calling into our contact centers that day, 70% of people were just abandoning in the IVR.

Coming into a Vocus is the antithesis of that experience. We have great people. We have a huge amount of pedigree. We have wonderful people who I've worked across all of the founded networks that we have who really drive an amazing performance for our customers in terms of our network. And if you look at some of the areas that we're talking about, our IP network, our transmission network, our edge network, our voice network, we have beaten our targets every month since I've been here. We've actually had a fantastic 12 months in terms of that performance. From our operating systems, OSS, BSS, our IT systems again, incredibly strong in terms of outperformance. We are huge users of Slack and Zoom, and those systems perform incredibly well.

But the one I probably like to focus on a little bit is the NPS performance, so the Net Promoter Score performance that we have within the business. And again, when I've worked in other organizations, we were getting really great NPS results. We pay people on it. And we also had great relationships with our customers one-on-one. And quite frankly, I think that might have influenced the result. These are episodic NPS results. So every time after we deliver a service, the customer is sent an e-mail, and they're asked how likely are you to recommend Vocus. Last month, so for June, so it's an unaudited result, but it's at 38. It is actually a great result for an episodic result. And it's really being down to the work of I think a great team. A lot of tactical initiatives. Mark's mentioned API, so obviously, a lot of APIs for our wholesale customers to really improve the performance of their business. We have put more people into this to really improve the performance of Net Promoter Scores.

We've also pre-provisioned so that again, Andrew mentioned some of the great delivery time we've been able to deliver for our customers. That's really done in concert with the sales teams and the go-to-market teams to make sure where we place those investments for pre-provisioning, where we place those investments in terms of APIs, we're really getting the biggest bang for our buck.

One of the things that's wonderful about working for Vocus is it is absolutely a challenger brand. This is not a fancy incumbent. We are a challenger. We're catching Ubers, UberPool. We've been catching Uber. So from that perspective, this is a business that really goes out to make sure that for every dollar we spend, we are very clear in terms of that return. And I think the investments that we've made in some of the very tactical changes that we've made in service delivery are evidence of that.

Look, in terms of our proven ability to win, and I think that's important point to win and to build large-scale cables, I'd probably just like to give you a flavor for just a few of them. We have mentioned the North West Cable. And again, 2,100 kilometers of cable, it's 12 terabits of capacity. And it's not a particularly easy place to put in a cable. It's obviously offshore the West Coast of Australia. And obviously, we're going after that key and growing oil and gas segment there as well.

Australia Singapore Cable, I think we've mentioned this. Mark is obviously incredibly excited that we're now up to 60 terabits, which is fantastic. But the one thing I would say here is that it was delivered not only ahead of time. It was also delivered ahead of budget. And I think it says a lot about the caliber of people that we have in what is a relatively small organization.

Look, the final one just to mention there again, in a slightly challenging part of the world sometimes to deal with is the Coral Sea Cable System. So 4,800 kilometers of cable, over 40 terabits of capacity. We are in the market now in terms of we have the ships in the water, and we'll be delivering that in December of 2019. Now all of those cables are all 100 million-plus cable systems. So quite frankly, they are not small cables in many respects. And I've worked at international and I'm quite delighted by some of the performance I've seen. Andrew mentioned again some of the capability that we've got. We have some fantastic submarine cable expertise, and we partner very well to deliver those cables for our customers and their end customers as well.

And look, we spent a little bit of time talking about Vocus, and I'm relatively new to Vocus. I think I'm coming up in a couple of weeks to 4 months. It's probably fair to say that between 2015 and 2016, as you know, there was a huge amount of M&A activity, which is great. And it also means that we have our fantastic fiber network that we have today. So you've got M2, Amcom, all of those investments that we made.

I think it's also probably fair to say that between 2017 and 2019, we spent a lot of time in terms of making some clear investments. And in some respects, they're the low-hanging fruit, if I could put it that way. But they were also the right things to do from a sequential perspective. So we have consolidated our NOC. We've gone from 4 NOCs to 1 NOC. And that's based in Melbourne, and I think they're doing a tremendous job.

We've also done some work around something called Supercore, I'm sure we've mentioned it previously, which is essentially our core and our transmission network. So taking those consolidation of those 6 or so networks into one core network, and we call that our Supercore network. We have migrated Amcom. We've migrated Vocus. We've migrated all of those networks. The last one we will be migrating is M2. We'll have that completed by August/September of this year. So when you think about that, it's a great foundation in terms of the network that we actually have. And again, if you want to be a specialist fiber network solutions business, you've got to get that part right, which we've done. The other reason why that's really important to get that right, and it sounds incredibly boring, is to make sure that our inventory is very clean. And again, if you've been around some of these businesses before, having clean inventory is incredibly important if you want to start digitizing your business, which very clearly is something that we want to do.

We've also spent a lot of time stabilizing delivery. I think there was a mention of that in some previous sessions. And I think the delivery performance of the team has dramatically improved over the last year. And quite frankly, Andrew's right. I have very few customer contacts at all complaining about the delivery of our business or the billing of our business. Often in telcos, that's a real area that comes under fire. And I'd say it's one of the reasons why we were able to do that. It's again we have quite a simple business. We are not providing mobiles. We're not providing Foxtel. We're not providing lots of different content. In Vocus Network Services, you've seen the number. It's largely around our fiber business, our Internet and our voice and cloud business as well.

And look, voice consolidation again, we have done a lot of work in terms of investing in efficient border controls to really uplift the performance of our voice network, which again 15% of the revenue, as you've seen, is coming from our voice business. And again, this isolated the secure network. Not only have we isolated the secure network, we've isolated all of our staff who work on those networks, our BSS stacks.

So it's probably fair to say a lot of activity from an M&A perspective, a lot of activity to get us up to a certain level, getting that core network to where we are today. Our Supercore has been really critical in terms of that amalgamation of our networks and getting that foundation right. But it's also fair to say that we've got a great opportunity now to really simplify and to modernize the business that we're in.

We have ticked it from having 6-or-so networks. We've got a lot of manual intervention at the moment to provide a good level of service delivery. And so now really is the opportunity for us to take that next step. And I'm delighted to say that we do very clearly have a plan, and the plan was signed off by the Board. It's obviously been endorsed by the Board and also by Kevin and the wider team. And we've had a number of people working on this for probably the last 7 months to get us where we are today. So this is not a plan that's about to happen. We're actually already starting to execute this.

Again, if I can stop here for 1 second and just remind you that Phase 1 will be completed by basically September of this year. So when we talk about the next step or the future step, I'm not talking about the core transmission. I'm not talking about the fiber network. That is already being consolidated. What I'm talking about is the edge network that exists. And as you can see there, we have close to 6 networks in our edge network. We are simplifying that into one new network. So not only are we simplifying into one new network, we're also simplifying the edge. At the moment, we have multiple boxes that will be serving different products. Again in the future, there will be one box that serves all of our products as well.

And I think we've spoken about previously is that we have multiple BSS stacks. Again, you start to get the flavor. If you've got 6 networks, there's a lot of cost in terms of assuring, monitoring, activating. It's obviously by going into one, you take that cost out. By doing it, you're also going into a new network. I mentioned the inventory. We have clean inventory not only in our core networks but in our layer 2, layer 3 networks. Quite boring but really important, it enables us then to digitize our business far more easily than we would be able to otherwise. It also ensures that we can alarm and obviously monitor our business more effectively than we had previously.

The BSS stacks. Again, 8 stacks just drives complexity. I was with our team in Perth last week and I actually sat down and said, "Can you actually show me how you deliver an order? How do you deliver a circuit?" It's highly manual. It's highly manual. It's highly reliant on great people doing a great job. And quite frankly, I think we can do a lot better than that.

We are implementing programmable network, and this really is around software-defined networking and network function virtualization. They are not new things in any regard but it's probably nice not to be in the vanguard but to really being able to utilize what is now a lot of open source and a lot of common standards across the world to deliver those products for our customers as well. So again, core network already being completed, September 2019 will be the final conversion of our Supercore network, and we are looking at then going into those core stacks around our 6 networks into 1 that's a layer 2, layer 3 edge network, the BSS consolidation and also our programmable network as well.

Look, some of the things going into that future state for us are really around the financial efficiency. Again, it just makes sense in terms of being able to reduce the number of platforms that you've got from provisioning, from assurance and from monitoring. We've made some statements previously around $30 million of OpEx and $30 million of CapEx, which absolutely we stand behind. I'll take you through those numbers in a moment.

Customer experience. Again, being able to provide customers with a software-defined environment, with an environment where we can attribute close to 80% of on-net orders via a digital portal really gives them just far more control over not only their activation, their assurance and their billing. And I think most of us would think that having that control is increasingly important to customers. Andrew mentioned also channel partners. At the moment, we have a limited ability to service our challenge -- channel partners rather other than very manual processes. So again, being able to offer them that ability from a digital perspective is increasingly important. And obviously, that's just another go-to-market channel for us to really ensure that we do fulfill that ambition and take market share in a market where we think we are under-indexed against obviously the fiber network that we have.

Look, in terms of disrupting, software-defined networking and network function virtualization and a lot of those acronyms are not new, but what we think is new probably for the Vocus business is our ability to take that capability against a low market share and really go after providing, I think, Australian and international customers with an alternate, and that's around obviously bandwidth on demand. The first product that we'll release is the data center to data center bandwidth. But in terms of software-defined networking, it's across our entire network. We're not restricting it just to certain areas or certain products. And so what it does do, it gives us the opportunity from a Go to Market perspective to obviously look at bandwidth on demand by SLA, by capacity, by latency, and that's pretty exciting for us to be able to go after that market as well.

We've also mentioned partner ecosystem. As I read this slide, I'm always amazed at how many acronyms I can use. I'm surprised no one's called out bingo. In terms of the partner ecosystem, that really is one of those areas that I think a number of years ago people spoke a lot about. But really being able to partner with a Palo Alto or being able to partner with Google or being able to partner with anybody is increasingly important. And I think a lot of [precinct] exist there today to be able to do that. Obviously, by being in a future state or again, cleaner networks, software-defined and obviously NFV means that we provide our customers with those abilities to spin up firewalls, to spin up virtual routers and also to use that bandwidth.

And finally, from a product perspective, very much when we've designed our future state layer 2 and layer 3 network, when we've designed our programmable network and also our BSS stacks, it's very much around being open source, being MEF-compliant. And what it does mean is that quite frankly, instead of us having to build and design everything ourselves, we can take account some of the great works that's being done by a lot of partners and a lot of other vendors to be able to white label and also to federate some of those products as well.

So from our perspective, incredibly exciting to now be at this stage of having gone through a lot of M&A activity to really have stabilized the business and made some big bets around particularly that core infrastructure and our Supercore network to really being at a stage where we can consolidate BSS stacks, do a lot of work around obviously our networks and then also be able to introduce some really great technology for our customers.

Look, we put this up. I did say to my boss, "Do we really want to be showing this?" And he said, "Yes, absolutely." I heard him say earlier that this is going to be easy. I'm not sure it's going to be totally easy, but we have a great team, and we're already in market in terms of lab trials as well. Look, in terms of some of the spend, obviously this is a project that is over a number of years. Up there, you can see a capital spend of about $83 million for us to spend in terms of delivering this layer 2, layer 3 network, our virtual network functions, our SDN and also our BSS consolidation.

We've put our statements out here around the number of new network edge sites that we will be building. Again, if you think about at the moment, we have -- in some areas, we have 4 sites today. We are going to 1 and it brings with it all the consequent economic benefits of being able to do that. So 55 sites at the end of FY '20, 110 at the end FY '21, 160 and then 41 as well. We've mentioned a couple of times that edge network. So by doing that, we go from 6 edge layer 2, layer 3 networks to 1.

We're going from a very complex BSS stack from 8 to 2. We're also introducing obviously our front-end BSS stacks up-front. And again, that will help us in terms of our level of digitalization that we can bring to the business as well.

And then finally and one obviously very close to my heart, again, we've mentioned that $30 million in terms of OpEx reduction previously. You can see from here those numbers. Again, we start this year at $165 million, and you can read them yourself, those numbers, to get us to the $135 million. Now there's a lot in that. There is a lot in terms of being able to just do things a lot faster to take out head count because we are incredibly manual at the moment in terms of everything we do from not only a provisioning, from an assurance, from a monitoring perspective, from a BSS perspective, we have a lot of developers within our business who are fantastic, and we also have a lot of costs around our licensing as well. So there are some big statements there. But again, we've been, I think, pretty ruthless and very thorough in terms of the business cases that we have put together to be able to represent some of these numbers here today.

So from my perspective, I'd say for me coming in, it's been quite a short amount of time to be here. Not only do we have a fantastic team. We've got a lot of people who are incredibly passionate about Vocus Network Services. Again, I mentioned we are not a complex business in comparison. We are not distracted by a lot of other activities that some of our peers are. We have a very clear road map and a very clear ambition about being a leading provider for network and fiber within Australia, and I think very clearly we are very set up to do that.

So on that note, let me hand over to Kevin to bring home just a little bit more about that skill set and that capability as we look to not only our base case but our base plus. We do think there's fantastic opportunity not only in existing customers that we have but some really quite strategic deals. Now if you think about the articulation, we've already mentioned about our ability to deliver not only ASC Coral Sea West Coast cable, we think we've got even more with some of the upcoming pipeline. So Kevin?

Kevin Steven Russell ***Vocus Group Limited - Group MD, CEO & Director***

All right. We're ahead of schedule. So I'm just going to put up a couple of placeholders, and they are placeholders. So the core is -- the previous sale that we just had. We've got plenty to execute but I do -- I just want to put some holding statements out, and we'll come back to them. Whether it's in 2 years, 3 years, 4 years and 5 years, we will come back to them. This is an infrastructure business and we, as a leadership team, have to be executing today and we also have to have half an eye out 2 years, 3 years, 4 years on capitalizing some of the opportunities out there.

One element -- one opportunity that I think is not understood -- I just want to again say, just put it, a holding statement, this North West

Cable, completed October 2016, almost forgotten, almost felt as if I had to dig in and find it when I first came in the middle of, well, 12 months ago, beautifully positioned, and we'll touch on this strategically up into Asia but also just through the oil and gas shelf just up in the Timor Sea here. So some key opportunities, discussions we're having, nothing to announce today but just a holding statement to say over the coming 12, 24 months, we will be looking at opportunities around this cable with key oil and gas partners. The models we're looking at are long-term 15-year annuity revenues and largely customer-funded opportunities.

In the same breadth, we are also looking at longer-term strategic fiber builds. It's very interesting. I'll go back to that comment right at the beginning of it, specialist fiber network solutions provider. I do not see others in the marketplace just now looking at fiber strategically. And for us, we have some awesome assets in the ground and offshore that we have an opportunity to leverage. So just, again, 4 placeholders for us to come back in not next month but in the years ahead.

One, 5G backhaul. I would probably -- I'm going to say long -- my comments are a little bit longer on business fiber and short on consumer wireless that you probably see here. I think the future of wireless is fiber. The reality of 5G is it needs fiber, and I think it's going to be a fascinating battle play now in 12, 18, 24 months around regional backhaul for Optus and Voda to compete in 5G. They are going to need access to fiber outside the metro. For us, that's where we play. Our strengths, interestingly enough, are those regional assets. So we will look at how those opportunities emerge 1, 2, 3 years out but we do want to play in that marketplace.

We do see opportunities in the North West Cable to connect up into Indonesia again using our submarine cable capability, and we do see opportunities to connect from Port Hedland across to ASC straight through the Scarborough gas shelf to provide incremental redundancies with a number of key customers. And then again, that point that Andrew articulated around our strength in Northwest Australia, we are looking over the next few years how do we strengthen some of that market share, some of that capability through strategic fiber builds through key mining locations.

So these are placeholders for now. We do need as a team -- yes, we're executing today but absolutely have our eyes 3, 4, 5 years out to build the right infrastructure returns.

So we've actually managed the time better than I thought. I thought we'd be breaking in 15 minutes. Andrew Wildblood, actually, he was quite quick for a change. Mark Callander is always quite quick.

Just some summary comments from me and Vocus Network. This is our core. This is where the value is in Vocus. What we've tried over the last 1.5 hours is to articulate actually how we see the core to the assets and most importantly, where we see the opportunities to use those assets. The interesting thing about the team we've assembled, it's been critical for me to get key executives who can work operationally, who can lead teams, getting the detail and drive because this is a small company, but the fascinating thing is you need people who can also go up a level and see opportunity and execute on those opportunities. And we need to be smarter at anyone in the marketplace at spotting the trends in the marketplace and spotting the opportunities, and that's where we've brought in, in terms of Ellie and Andrew, and that's where Mark is well in the wholesale and the wholesale business have the ability to operate at that level and at that level. So as a team, we're in a pretty good place.

In terms of execution risk, get good people. They get good people, they deliver. So we have done a lot of work planning, done a lot of work debating, landing. We just need to now execute. Again, I'll go back to the last 6 weeks, frankly, a bloody distraction. Now we execute. We have been executing. We're going to do more execution in the next 2 years.

So with that, we'll break. If we can start again at quarter past, that would be great. Hopefully, that was helpful. Thank you very much.

(Break)

Antony De Jong ***Vocus Group Limited - Chief Executive of Business & Consumer***

Good morning, everyone. Welcome back. We'll just let the people at the back regain their seats and we'll kick off the next section.

My name is Antony De Jong. I'm the Head of the Retail business in Vocus. I've actually been here a little longer than some of my colleagues who've spoken this morning. I joined Vocus formally on the 1st of September, having had also quite a long history in telecommunications, most recently spent the last 5 years founding, establishing, running Belong, which was Telstra's challenged business. The beauty of coming to Vocus for me was that I really got the opportunity to spend a month in August looking at the business, understanding the culture, the people and the opportunity, including the opportunity to turn around and reframe our retail business and particularly starting with Commander, which was perhaps the most neglected part of the retail portfolio. And so having done that, I kind of knew what I was getting into and I'm really delighted that I did join. It's been a fantastic 10 or 11 months for me with the new team and a great set of colleagues in the executive team to work with.

So listening to Andrew talk about the World Cup this morning and the cricket and all the rest, I thought about the Vocus batting order with our World Cup players, and it was great to see our openers, Bob and Kevin, Warner and Finch jumping up there, followed by Joe Root as Andrew. And then I thought he did a wonderful job. He kept his innings intact today. And then of course, our great all-rounder, Ellyse Perry, jumped in. And I was really pleased to see her perform really well. And then of course, we needed the big show, Glenn Maxwell, to come back in, and that was Kevin with some of those big opportunities. And for the rest of the day now, we'll be getting to the rest of the batting order and it's actually some of the bowlers, and I thought it's going to start with me and who would I be? So look, I thought -- I don't even want to be Alex Carey. I'll perhaps be Alyssa Healy. And then we'll hand over to Trent Boult and the tailenders will come through, some of whom are sitting here, my colleagues.

But moving right along, that was as far as I could take the cricket analogy, the retail business is a business that's quite important and strategic for Vocus. It's not the core but it is the largest part of Vocus' current revenue, and it's a very significant contributor to today's profit. And as Kevin outlined, it's also got some pretty important headwind to navigate over the next couple of years. We actually, in the retail business, bill over 1 million services a month, and we do that to over 650,000 households and businesses. So it's not a small business. It's a big business with about 8% NBN share. I'll talk a little bit about that.

Since March, we've been establishing that business as a separate business unit. That includes bringing in some of the digital and technology components that were in infrastructure and operations, basically everything above the network and some of our support areas into the retail unit all under one area, and that gives us focus and an ability to become more cost-conscious in running a retail business as a reseller of networks and solutions.

The turnaround strategy is well underway, and I'll touch on some of the things that are green shoots in the turnaround already, including our return to growth in energy customers over the last quarter, which has been important as a result of some of the things we've done in that business, and that energy business is a big part of our whole retail proposition.

There are 3 very strong brands in our retail business. They have a heritage going back more than 30 years, in the case of Commander, 20 plus years. In the case of iPrimus and even Dodo, it's a very well-known and established brand in the budget-conscious market in Australia. So these are good brands with good awareness and good consideration, and they're very focused on segments within retail. So we don't need to take a broad-brush approach.

We're also a business that's very heavily dependent on broadband today. And as part of the navigation of some of the challenges with NBN that I'll talk about, we are diversifying quite strongly into energy and into mobile, and that's where we see great potential for growth.

And finally, when you look at our cost equation, we have inherited a complexity of platforms and systems and, as a result, have a lot of opportunities to streamline in the cost here. We've made good progress there already in the last year or so, but increasingly, over the next few years, we're moving away from our legacy platforms and systems. Many of those that Ellie mentioned are actually resident in the retail portfolio, including some legacy brands.

When you look at the business, the beauty of our Vocus Retail proposition is we have brands targeted around specific subsegments. When you look at the revenue mix, over 60% is Dodo, and it's in energy and in telco, predominantly fixed broadband voice. iPrimus is a brand that offers more for more. So not everyone is a budget-conscious shopper but not everyone wants to shop from the same brand either. And so iPrimus gives us a choice and customers a choice when they're wanting to buy more for more and get a better service and a higher speed. And finally, Commander is synonymous with small business, and the relaunch of Commander in February has really repositioned us to grow a small businesses grow in Australia with a focus and level of attention that the majors and other providers in that sector are unable to match.

When you look at our revenue mix by product, you can see that 75%, almost of our product, is telco and about 25% is energy. In the telco part though, 48% is actually broadband, and broadband today has been traditionally very profitable for us but it's a lot less profitable today, and I'll touch on that when I talk about NBN's impact.

Looking at NBN. Today, we are an 8.3% shareholder, fourth biggest NBN provider in the RSPs. One of the unintended consequences of the last decade of NBN rollout is the largest provider got bigger, so did the second largest. And it had to get bigger at the expense of some of the smaller players, and so that's been a challenge. And the reality of the NBN economics, when you really boil things down for us, is that we today charge $5 more per customer on average than we did 2 years ago, and we make $6 less on the gross margin line. So even when we convert all those customers, we've done a very good job with migration particularly in the last 6 months. There's an $11 turnaround and that reflects where the margin goes as we roll out this technology. Those costs are higher as are the costs to connect customers on the complexity of NBN technologies, and the FTTx alphabet soup really doesn't -- really means the customer doesn't know what they're going to get. Is it HFC? Is it Fiber to the Premise? Is it Fiber to the Curb? So we're not really clear with our customers often in what they want and that's not something that we can actually control as a retail service provider. That's all dictated to us by the wholesaler.

The other challenge we have is that customers demand certainty, and so 70% of our customers are actually on unlimited plans where they get that certainty. Because a large portion of those customers are very budget-conscious, they want that certainty. But the cost that an RSP like Dodo or iPrimus or Commander pays to NBN is uncertain because of the variable pricing model based on consumption use. And so it's very important that we get to an aligned position on price with our customers to enable us to carefully manage the network consumption so that we can still make a margin, and that's something we're very focused on, what experts in the business that look at that every day, to make sure that we're matching the dynamics of supply and demand so that we can give the customer certainty and still make a margin and give them a good experience.

As higher-speed tiers and higher usage kick in, we would think that's a good thing. Use more of my product, we'll all be happy. Well, actually, we make less margin. So again, there's an anomaly between the way that the industry is receiving the prices from the wholesale provider. So our approach to deal with this is look at price increases consistent with market changes and cost changes, and we've actually executed that most recently in April and have been able to adjust our prices for out-of-contract customers and revisit our NBN plans so that we can actually nudge up our prices without hopefully losing too much market share on the way, but it's a managed-for-profit scenario and that is a marked change in chasing market share that preceded our annual approach.

We're also looking at, once we have customers, upselling where they do a lot of streaming or they do a lot of home-based work, for example, make sure that we're able to put them on higher usage plans, higher ARPU plans for us. But ultimately, we have to look at options, and those options might include more mobile wireless and fixed wireless options that allow us to source broadband for a customer at a lower cost than we can currently source it from NBN, and that's where our Optus MVNO arrangement is particularly attractive for the retail business, and we'll definitely be looking at how we can take some of our customers into those mobile alternatives, recognizing particularly in the residential space that a lot of those customers are renters. They want to be able to take their broadband with them when they move as well.

We are in the middle of a industry pricing consultation period with NBN, and ultimately, there are 3 things that we'll be pushing for from a Vocus Retail perspective. None of this, by the way, negates the comments that Andrew made earlier around our appetite for business with NBN. And in fact, even in our Commander business, we are quite enthusiastic about NBN for business plans, but that's a different market with a different set of needs than our consumer customers and particularly our Dodo, price-sensitive customers.

We're looking for a lower level of entry pricing. The reality is a lot of our customers came from $39 plans on ADSL. And today, they can't get $50 plans from the NBN that give them the same service even at the speeds they had on ADSL. And for those customers, an $11 difference is actually quite material because they've got to pay the rent and they've got to deal with their other expenses. And I can see that when I go to Manila and I listen to the calls, and I'm very conscious of how many customers need financial assistance and time to pay in some of the other categories and what's essentially becoming a key service for them. We hear a lot of stories about kids' homework, schools being connected, and I really do feel this is one of the reasons we need to be very vigilant on getting low-priced plans for Australia and for our digitally connected communities to remain connected. And a lot of those communities are not high end and able to pay for the high costs. So for us, lower entry-level pricing is key even if it means diminished service and diminished speed.

The other thing that you would have seen in the earlier slide that Kevin showed you is the impact on voice-only customers. Now less so in Dodo but definitely in Commander and iPrimus, we have a lot of customers that came from a voice-only PSTN, ISDN legacy position. Those customers may have had voice services because they didn't need data in their particular businesses. If you're a greengrocer, a local green -- with not many of them left I guess, but if they are local greengrocers, they're quite happy with just voice services and mobile services, may tend to replace NBN if voice services are not available to business as an alternative to what we currently have. So support for voice-only customers and their migration is another thing we'll be pushing for in the consultation period.

Clearly, we want greater simplicity and certainty. We have to address the alignment between unlimited data plans being the norm in what is sold in this country and the variable costs associated with CVCs and the different tiers that support those tiers. I actually think a range of tiers is very important for basic access. A low speed at a low price is perfectly acceptable versus for a small business that is dependent on data. Clearly, you want to give them an unlimited plan with the fastest possible speed they can have to that premise because every minute counts that they're connected.

Finally, we'd like fairness. Fairness is about a level playing field. And it's acknowledged, I think, that it's not level today. The bigger organizations have benefited from NBN's rollout. It's time to address that and make it simpler by removing some of the complexity that is hurting competition in NBN. So these are the things we're pushing for in our discussions with the industry around NBN.

So where will we go next with our retail business? When you look at our business on the left-hand side here, we don't play in the premium sector of that business. That's a very, how would I put it, price-independent segment of the marketplace. People will pay almost anything in that price and often due to the incumbents who dominate that portion of the market. But we do play in the nearly $13 billion segment covering the value segment of customers, those that will pay more for more. And they're paying those companies that compete in there like iiNet and Internode, iPrimus, they all start with I; and then also in the price-sensitive segment, which is clearly one that TPG, Belong, Dodo have been very present in, an obviously small business where Commander is quite significant.

You can see when you look at our share, we're very material in the price-sensitive segment, Dodo, which really reflects what I've said earlier about how important it is to that group of customers that their budget offers give you basic, simple services at a fair and reasonable price. About 60% of the decision in the price-sensitive segment is just governed by the price. So it's an affordability question or a deal-seeking behavior, it's not actually about all of -- all the features and all the add-ons and all benefits.

In mobiles, when you look at that graph on the left, you can see that we're very under-indexed. We actually have only 160,000 mobile customers today within our base. Clearly, there's a massive imbalance between the portion of the business that we have in fixed and the portion that we have in mobiles, and that represents a fantastic opportunity for us to really grow. And so what -- we've looked at how relevant our brands are in the mobile segment, and the surprising thing is we have 66% awareness among mobile customers just as we do in fixed for Dodo. And we have high awareness, over 40%, in iPrimus for mobile as we do in fixed. So it does translate really well. And we have an opportunity to use attractive MVNO 5-year agreement with Optus, which also has an upgrade path to 5G which is quite unique to us, and an opportunity around fixed wireless to really capitalize on the opportunity in mobile, which, as you can see, is more than 60% of the available market to us. So we can address that by focusing more on mobile than we have in fixed and translate some of that share.

And so our ambition in mobile is that we think we can triple our services and operation over the next 3 years across all 3 brands, all 3 brands offering mobile. We already do that in some pretty smart ways in Commander. So today, because we have a new brand and relaunched with "faster, faster" in Commander, we make sure that as soon as we ship a broadband modem, it's got a SIM card in the back and we can transfer the voice services, and our business customers will never miss a call. And so our mobile arrangement is already kicking in for our business customers even though it may take 2 weeks or more for NBN to complete the activation activity behind that. At least, we remain connected with our business customers right through.

Commander is another big opportunity. As I mentioned earlier, it's unique in the sense that it's a totally small business-focused brand. Less than 20 seats is the optimal size of business customer. It comes from a heritage of PABX phone systems but has broadened out into connectivity and IP voice and other forms of business connectivity, in apps and services. It's got high awareness, 36%. And when I say high awareness, I can reflect on how long it took the previous organization that I established to get to 30% awareness. It hadn't got there by the time I left. And that was after spending tens of millions of dollars in marketing.

So Commander is already in a good position. It does need to reorientate the conversation around sales. In its particular segment, less than 20% of customers have actually moved across. It does reflect where NBN is at. So less than 20% have moved to NBN. That's a good opportunity for a sales conversation for us. And for us to hit our 10% share ambition in Commander, we can focus more on the 5 to 19 employees and our low penetration in energy as well as in mobile. And so we'll be increasingly looking to disrupt the segment by having bundles in the future to bring energy to small business in the form of electricity where we can sell electricity as well as mobile services and fixed connectivity where possible.

It's a very important segment. Those 2 million businesses in Australia, they all will want to be connected at some point. And of those, there's a lot of starts and stops every year. About 300,000 new businesses come to the market every year. 240,000 exit the market every year. We're not present in the mobile part of that market nearly enough, which is about 30% of the segment, and we clearly said that is a big opportunity for the Commander brand.

I just want to talk about energy and bundling. For us -- the energy business, to me, was a bit of a surprise. When I first came to Vocus, I had thought Vocus is traditionally looked at as a telco. And yet, when you look at the nearly 25% of revenue in the consumer part of the business that is selling energy and you look at how effective that part of the business is, there are some very interesting insights. And it's absolutely unique for us to have a business where you've got -- I think it's about 130,000 customers for energy today and a quite good attachment rate potentially and an improved tenure of customer that attaches to energy.

So what this chart says really is, once we have a broadband entry point in the home, we can expand that entry point to energy as well as mobile. You could take 2 products, that's 68%; 3 products, so mobile and energy -- or mobile plus electricity or gas as 92%. So really, broadband is the real logical entry point. It's what we do in New Zealand as well. And if we can do that, we can increase tenure by 10 months, up to 10 months. So 10 months is very important for us. When you think about our average tenure for NBN, it's a very new book. So our average tenure is probably at 20 months. For ADSL, it's a much older book. It's more like about 30, 35 months. You can see there's great opportunity if you can add 10 months' tenure to that customer lifetime in terms of the profitability of that particular customer and the recruitment of the cost to connect and acquire the customer.

We found that our brand awareness is very high in Dodo for energy, so it's actually double other retail energy challenges. So companies like Powershop or Click or Lumo or Sumo, it's quite a spectrum of companies retailing energy. They don't have anywhere near the 40% awareness that Dodo has in its power and gas business.

A great opportunity because only 10% of our current telco customers are taking energy offerings from us, so we have 90% opportunity to cross-sell. It's actually been managed quite independently until recently. More recently, we've started to bring those teams together, and we're now selling energy and mobile and broadband together in one sales conversation. And that's helped us a great deal in getting attention around our energy business and reflecting our business in New Zealand where we got over 20% attach rates on a broadband sales conversation plus the eventual evolution to a single bill, which bills the customer for all of its utilities as well as telco and mobile in one go. We're not there yet, but one of the outcomes of our systems improvement and simplification will be we do get to that single-bill situation.

Finally, the regulatory changes like the transparency around price and removal of discounts actually favor a small challenger like Dodo and Commander in the energy space because we'll be seeing higher levels of customer awareness around the actual prices paid for energy and a greater propensity to switch. And given that we target switches, we expect to see that play in our favor ultimately as that rolls out. That just started on 1st of July.

Commander, very under-penetrated in energy. We do get double, at least double, the ARPU from a business customer when they take electricity from us than we do from a residential customer. It's something that there's a lot of interest in. At this point, we haven't had our dealers sell energy. But we will be having our Commander partners and dealers, that's 29 different locations around Australia, be able to sell energy where energy is able to be sold. Obviously, it's a local proposition because of the energy wholesale and retail arrangements varying across different states and suppliers. But definitely, it's something that we see great potential in, and it's something that we only have about 5,000 customers in today for Commander, and so a great potential for us.

So it's been a rapid rise for the retail business. I just want to touch on some of our building blocks and achievements as we've gained momentum during the course of the last financial year just completed. The Dodo brand was relaunched really commensurate with my arrival. In addition to large increases in brand awareness and consideration, we've also seen a real reduction in rejectors, and there's still a great deal of recognition of the Dodo bird and the position of Dodo in the market. It's a trusted brand in the budget sector of the market. Because rejectors have gone down, I think the friendliness and willingness to deal with service issues has also been recognized in the market. And you'll see some of that with our reduction in ombudsman complaints, which I'll touch on in a moment.

The next milestone, I think, was the Optus MVNO agreement. I think that's a game changer for the retail business. We have to reorientate the business to mobile both to deal with the headwinds but also because mobile is where all the growth is in Australia in the next 5 years as 5G really gains traction.

We also launched the MyDodo service portal. That's very important to us. We've actually have had a 50% increase since launching that portal of service requests coming through online. And compared to the period before this, 25% of customers could resolve their issues online without having a call, now it's 40% of customers resolving their issues online when they do visit our site. So that actually removes some of our call volumes quite dramatically.

We've reintroduced the consumer business base management focus, which is looking at individual customer plans, profit rationalizing what our offers are and understanding how they can migrate to NBN most seamlessly for them and for us in February this year. And follow up that in March with what has really helped our energy business, the bundle and save campaign, the first time we've done that, where customers get a discount on their Internet if they also take an energy type. If they take 2 energy types, gas and electricity, they get a $10 discount; for 1 energy type, they'll get a $5 discount. That has helped. As I said, return the energy business within Dodo to growth in the last quarter of this year.

We put in our price increases for out-of-contract customers in April and refreshed our plans. That was aligned to changes in NBN's pricing to us as well where more customers got a 25 speed rather than a 12-over-1 speed at the outset. And so today, we're offering 25 as our default speed with $70 unlimited price point for a 50 plan.

Rebuilding our energy team. We recruited the ex-COO of Momentum into our team at the start of May. That's one of the many changes I've made to the retail leadership team. At this point, it's not just renewal of the whole executive team. Our retail team comprises people with less than 2 years' tenure apart from 1 individual. So I've replaced 8 positions in the course of the last 12 months with people that are able to grow the business and turn it around and have come from a variety of challenger backgrounds like Momentum Energy but also Optus people, Telstra people, Belong people, those that have come from different positions across the market and understand what it takes to win in the retail space.

Coming up will be some new mobile offers and further digital improvements. That encapsulates our consumer agenda. We will continue with our 2 brands and our multi-brand strategy. In our business sector, a lot of things happened in February around our brand relaunch, including the refreshed mobile and bundle offers for NBN and connectivity, and that helped us reduce the number and variety of plans that we have in market. This is very important. I go by the mantra that choice is the enemy of simplicity. And that's very important in a business that has too much choice and therefore too much cost associated with all those choices and too many clicks, too many buttons to push. If we can rationalize our plans and simplify our choices, then we find that, that is a win for customers and a win for ourselves. So it's been very important introducing that into Commander and also rolling that forward into our consumer brands.

We also made it possible in February for customers to do more than look at brochureware and explore online by relaunching the Commander website onto our modern architecture, which allows more editing, but actually lets the customer go straight through with an order. And so straight-through ordering is a feature of what we can do in our business in retail. In particular, across all the activation steps for broadband orders, we now have more than 60% straight-through ordering across our business. We have very high levels of automation through to the NBN back end where possible.

And we also did the brand relaunch and our back to basics (sic) back to business campaign to increase our Commander visitor website attention. I think it's reflected in our distribution by -- prior to the relaunch of Commander, we had dealers, who we now call partners, across Australia that become quite detached from our business. But recently, I attended Toowoomba for our -- Toowoomba, our new store launch. The dealers are coinvesting with us, around 29 points in Australia, and Toowoomba is very instructive. Because it's a regional hub in Australia, it's growing faster than a lot of other areas, and that's -- and others have pulled out of that marketplace. So we've been very fortunate to encourage dealers to invest along with us as we move forward with the Commander model. And we've also recently put in an offshore sales team so that our current customers can be supported offshore with extra moves, adds, changes in new services in addition to our dealers and our onshore team. Finally, we'll be bringing some new bundles and simplified plans to the market shortly.

The 3 points across the bottom, which I'll finish with, are actually very key. In year, we've already reduced our offshore head count 20%, building on previous productivity initiatives and continuing to focus our team. And a lot of this relates to our rollout of digital capabilities, not just things that you can do on a website but actually things behind the website. So the fact that our activation team doesn't pass the phone back to our front-of-house team but either deals with it directly or get to the missing piece of information directly from a customer really adds a lot of efficiencies into that part of our service. The fact that we cross-sell energy and telephony and have trained our teams to do that brings a lot of efficiency into our sales teams. So our offshore head count reduction should continue as we move forward and become more and more digital.

We've had a big improvement with both our energy and telco ombudsman complaints. So we have 2 ombudsmen to deal with. A 15% reduction in complaints per 10,000 services does reflect how our team have become much better at dealing with service issues across the patch, and I expect that, that will also continue. It's absolutely key to us that we give a good experience to our customers as they move through migration or take on new services or deal with the fact that they just want the lights to go on and the broadband to work at their house. It shouldn't be that hard. It's quite a simple business when you come right down to it.

And finally, as a result of our reorganization, we've made significant gains in our onshore workforce through better alignment of our marketing activity, our spend and our planning and activities related to our marketing intelligence databases and one-to-one teams as well as combining our digital and technology teams within one retail work unit under me. And so we're seeing, post the formation of retail, we continue to make great strides in getting our SG&A under control, so we can manage some of those headwinds. And we can expect all this to continue in the next 12 months, 24 months and 3 years when we return the business to growth.

I'm going to hand over to Trent Boult to talk about New Zealand. Thank you.

Mark Callander ***Vocus Group Limited - CEO of New Zealand, CEO of Wholesale & International & Executive Director***

Well, our lunch menu must have been good given the crowd's still here from New Zealand, so it's a good start. All right. So what I want to cover off is a bit of a deeper insight in terms of the New Zealand business for you. The New Zealand business has been described as boringly good. Hopefully, I can convince you that it's not only boringly good but it's got some good growth potential as well. And I'll dive into a bit of that.

You can see from the slides behind me, we have had a long consistent performance for the New Zealand business at both the top line and the bottom line. I would highlight that this perception, it comes quite easy, but it isn't as easy as it looks. We're like a duck on a pond. We're feverishly pedaling underneath. I've got a great team that's culturally aligned with what the DNA of the Challenger business should be. We're very, very focused on what moves the needle. And we have the ability to move and pivot on a dime based on what happens within a year. So while it looks beautiful and it's like a nice linear line there, there's quite a bit of effort that goes on behind the scenes.

I'd also highlight that 3 of these periods that you can see here, we've actually also been through quite a bit of our own disruption through M&A activity. So we've obviously had the merge with Vocus. We've had a couple of attempts to sell our business. So we have had a pretty disruptive time. So I think it's a credit to the team that runs the New Zealand business that we've been able to maintain stable growth rate through that period.

In terms of context for the market, so the New Zealand telco market's about $5.4 billion, okay, broadly split: a $3 billion consumer, a $2 billion business. The energy market, which we've entered in the last 18 months or so, is about a $6 billion market. From our perspective, there's a few things I'd like to highlight from a market perspective. Firstly, we've got a proper fiber network, so we've actually built fiber to the home. That's reflected again in a lot of our data consumption that you see. So for example, the average data consumption for our consumer base in New Zealand is about 400 to 500 gig a month, all right? That's about twice the industry average where it sits at about 200 gig.

No New Zealand presentation is complete without mentioning the Rugby World Cup. So in terms of the data that has intensified in the market, we do have adoption of streaming services, and Spark has retained their rights to actually stream the Rugby World Cup this year. So again, it's a good illustration of kind of the switching tides in terms of the data intensifying in New Zealand, the adoption of data and fiber. It's only a shame they didn't win the rights to the Cricket World Cup against Australia, but a buffering would have been quite appropriate. But we managed to give that.

The other point I'd mention, the swing that I'm seeing in the market from a New Zealand perspective is the last-mile quality of the data is improving, and data usage is going up. Ownership of the network is really, really critical. So there's an infrastructure advantage to players over resellers in the New Zealand market. And so it's Spark, Vodafone and ourselves that actually have a core interfiber backhaul. Prior to getting that backhaul asset, as -- running this company, one of the most challenging things from my perspective was trying to keep up with the demand and the cost of delivering data to end consumers. That asset has taken that pain away from our business. So now we are very much focused on network performance, all right, and offering unlimited plans. We don't actually offer any capped plans in the New Zealand market. So it's a good illustration in terms of the difference between the context of the market we operate in and the data intensity and why that aligns really good with our assets we own.

In terms of market share, again, our consumer business sits at about 13% market share. We've had aspirations to go higher than that. We are very, very focused on UFB in the fiber market. So our core focus is not playing in the lower value end of town but is actually playing in the higher end of town with a more discerning customer that has high network demands. In the enterprise and government market, our share is lower. But again, our network infrastructure is really critical in that market. We sit at about 5% revenue share of that total market.

At a market level, over the last probably year or so, the market structure from a rational pricing perspective has changed. So proof points of that is we've been putting up prices in the market, and the market's been responding. So everyone's putting up their prices. There is still an element of discounting and giveaways to entice customers upfront. But as we've seen the increase of UFB in uptake of fiber, we've seen the switching pool shrink quite considerably. So we've seen an interesting dynamic change in the market. So essentially, 1/3 of the switching market has disappeared because the quality of the fiber networks is not driving a change in terms of that consumer behavior.

As a result of that, we've seen increased lifetime value of customer. Our churn's improving. And obviously, with services that we're bundling through like energy, we have seen a much more enhanced lifetime value of customer. But it's really critical from our perspective. From getting the increased lifetime value of customer, we can afford to throw more at acquiring customers in the market. And Antony has mentioned it. We did enter the energy market about 18 months ago. We have a phenomenal proposition where we have a broadband-led strategy, and we typically attach north of 20% of customers taking energy through 0 marketing, all right, so we have a very much digital-first campaign.

A few points to make here. I've talked a lot about the network and why the network is so important. I'd like to say the network has enabled me to sleep at night in the last couple of years, which is great. The main difference between the Australian market and the New Zealand market is we have the same inter-capital network but we don't have metro fiber networks. So essentially, we lease those for local fiber companies. So that's the predominant difference between the 2 of them. However, there is still significant demand in terms of getting traffic up and down the country. So we invest quite significantly in caching to deliver content. We're actually pushing that caching right out to the edge, all right? So if I went back 3 or 4 years ago, we would cache in Auckland. Now we're pushing out to Hamilton and Christchurch and further down the country. And this can become more and more critical as we have user-generated content, and the likes of the Rugby World Cup is going to be critical.

We do have 100% UFB coverage. That's really important not only from a nationwide go-to-market perspective for our consumer brands but it's also really important in terms of a wholesale perspective. So we're a key wholesale enabler of a lot of new entrants into the market that we either expand their reach or we offer of full white-label offering that they can promote to their existing customer base. And I'm going to talk a little bit more about the wholesale market and some of the new entrants we've seen coming in, which is an interesting dynamic.

We talk a lot around our ability to grow. So I'll talk about harvesting the network. We have a network that has capacity. Again, we are subscale. I often talk about the assets we own which we shouldn't own given the market share we have, so a very, very similar story to what we have in Australia. So we have a very low incremental cost of additional capacity on the fiber network. And a really good example of that again, the Rugby World Cup that's coming up. We've had lots of wholesale customers come to us because they're having to build capacity for peak demand to stream the Rugby World Cup. We have an ability to roll it at a very low CapEx level. That's enabling a lot of these smaller players in the market to be able to deliver on an experience that [AU and New Zealand] won't be able to do without using our network assets.

Disciplined investment in CapEx. Again, we run a very tight ship in terms of managing our CapEx. We redeploy equipment, and we push it out to the edge as we grow. So we'll push core out to a pop and then push a pop out to an exchange. So as we continue to grow, we'll redeploy those assets throughout our network, which enables us to keep a relatively light CapEx model in the business.

And lastly, we talk about -- Antony talked about things that seemed to be amazing like single bill and bundling energy, which, to us, is just pretty normal. But that's largely driven by an in-house team. So we've got a highly capable in-house team that supports all our systems, and we build everything in-house. And there are some pretty good proof points on that when we pitch this as an energy company. For example, we actually deployed and operated all these systems within our own environment within 4 months, all right? We do it on a basis that can be reusable. So we did it for Slingshot, one of our brands, originally. We then deployed that same technology and capability into our Orcon business, which took 2 weeks, all right? So when we build something in our environment, we build it on the same stack for multiple brands. So we've taken a multiservice provider approach to all our development. So if you dive into the Orcon and Slingshot business, you've essentially got a purple business and a red business that all sits on the same stack, right? So that's how we're able we deploy things as quickly as we do.

All right. So in terms of our markets, we plan -- again, useful context, we are a smaller version of the Australian business, all right? So we compete in the consumer market. We have a dual-brand strategy that we take into that market, Slingshot and Orcon. Slingshot is our mass-market [mandate into kids] brand. Orcon is our pioneer brand, high digital leadership, more aggressive users. We have some of our largest customers in Orcon, residential customers paying $99 a month using 10 terabyte a month, all right? So that's a slightly different model we have to the NBN scenario we have here.

We have a broadband-led strategy in consumer, all right? So we don't sell energy as a stand-alone product. We always lead with broadband first. We do that because we're a telecommunications company, not an energy company, but we do see the significant benefits in owning the household and share of wallet in that household.

I've already mentioned, all our brands sit on the same platforms, so that enables us to rapidly deploy new features, products across the brands that we choose to deploy it. It doesn't mean we always do. So if we want Orcon, for example, to have a new feature and charge a premium for it, we may not release that to the Slingshot business, but the option is there for us.

And lastly, digital leadership. So we are a digital-led business. We've taken over the last 18 months about 150 heads out of our business while we're growing. That's been through process automation and self-service. So we have north of 50% of all our new customers signing up online. We have a similar stat for customers self-serving. So we are very much a digital-first environment. We achieve this through numerous ways. We sit IT people in the contact center. So when they then see contact center staff doing dumb things, they can figure out how to automate it, so it comes back to that challenger DNA and how we run that business to get cost out if it constantly.

In terms of the business segment, again, we plan all segments. So we have small business, medium business, Enterprise and Government. So from a medium enterprise perspective, we largely compete under the Vocus brand. Again, we offer a full range of services across fixed and mobile. Very similar to the Australian business, we dominate in fixed and we choose market segments where fixed enables us to compete more. We have a very lukewarm mobile offering in New Zealand, which we're trying to break through.

We are the only carrier-grade alternative, so if you're out there and you're a customer of any reasonable size that you need network capability, you have the incumbents or you have us. So again, it comes back to the fact we have assets that we shouldn't have given the share we have in the market, which puts us in a unique position to grow more share in the market. And we do have very, very long standing partnerships, so that's across the top end of town. So some of the key players such as Datacom and IBM. We partner where we need to as we go up the stack to win.

We have this great little business called 2talk. So 2talk is a hosted voice and IP business. It targets the mid-market and essentially has around 350 to 400 resellers throughout the country. Again, it's a 0 touch model. It's about less than 20 people in this business. It is a highly profitable business that leverages digital capability and has nationwide distribution to succeed. All right. So that's, again, a very key part of the business.

In terms of the upper end of towns, so when we started to move up the stack, we are -- we have been an indirect partner to the TaaS panel through a relationship with Dimension Data. End of last year, we did get appointed to that panel directly. So we are now a direct supplier relationship to TaaS, and we've built all the product capability and compliance to start competing in that space. That was completed at the end of last year, so we are still in the ramp-up phase in terms of trying to sell that solution.

As part of our plan for building those products, we also decided that we wanted to diversify that capability and have more of a presence in the enterprise space. So a key part of our growth strategy moving forward is investing more in that mid-market sales environment, so we can go to market and win more effectively.

And probably one of the -- again, not biased to the Australian wholesale, but I do love wholesale businesses. The market is changing quite a bit in the New Zealand context in that there are a lot of new entrants coming into the market across media, energy. Anyone with a large customer base are looking to get into the broadband space. That's been fueled by a few things. I suspect -- a player like Trustpower has come to the market and done very well getting into broadband. You've got players like Contact Energy in there now doing it. You got players like us go into energy as well. So there's quite a bit of disruption happening across some of these key market verticals.

From our perspective, we're a very, very motivated wholesaler, all right? So we set in the market, if you take the consumer context with 13% market share, if I can enable somebody to come into the market and they won 100 customers, I'm only going to lose 13%, and I'm going to gain the balance. All Right? So for me, that's about harvesting the network and getting the best returns out of that network asset.

I did go into a bit more detail in terms of the sort of services we offer across our Wholesale portfolio. But it is a very strong and big part of our growing business. To that extent, in the last 12 months, we've also procured our own, i.e, capacity on Southern Cross and Hawaiki from Auckland to Sydney, which again is another step for us to use that from a self-consumption perspective. And again, we need diversity because we deal a lot with enterprise, government Trans-Tasman business. And outside of that, it is also creating capacity for us to wholesale and have good relationships there as well.

Key stat there at the bottom. Again, our mass-market Consumer business is about 55%. The balance across Enterprise, Government and Wholesale is about 45%. It's a really important stat and the way I describe it, our balance is really, really important in telco. So from a New Zealand perspective, I can build a network peak from my Consumer business, but I built the resiliency and reliability into the network from my Enterprise and Government customers. If I didn't have both of those sets, that would both be quite challenged businesses. So from -- again, from a network investment perspective, we get good payback across both segments.

We are very, very focused on what moves the needle. So again, we get very obsessed with productivity. So again, I measure productivity per employee. I share that with all my staff. To succeed in the market, while we lead on price and performance and service, we have to make sure that at a cost base level, we are at least matching, if not bettering, our peers in the market, all right. So making sure we focus on what moves the needle, and there's been a great quote from Antony, which I'm trying to repeat, but we limit choice as much as we can, and we have ruthless prioritization, all right. We have to do that because there's a lot of things we can do. We are very focused on what we think is going to move the needle.

In terms of the 6 main things that we're looking at from a New Zealand perspective, firstly, increased bundling. So again, bundling has been very, very successful for us. We've been very surprised about how easy the energy market is. Luckily, when your lights guiding you home, you walk to the front street and check that everyone's lights are out and you get back in. You don't call anyone. Not quite the same when your broadband router goes down. So the bundling strategy for us is really important. We are going to continue to do it and push it more aggressively across energy and mobile in the consumer context, but we're also going to be pushing that in these small and medium business market context as well. And I've mentioned the big benefits behind doing that.

Continuing to grow share in UFB. So again, we've stopped trying to chase SIO growth for the sake of SIO growth because we've picked a market where we think we can differentiate, and where we can win and we can actually grow ARPUs and margins in our business. So a good example of that was we used to have a brand called Flip, which played in the low end of town. We've actually grandfathered that brand. We are very, very focused on the UFB market segment and more importantly in the higher value plans, so the 100-meg plans and the 1-gig plans. We actually hold 23% market share on 1 gig plans, for example.

Why do we that? We've got a network asset that we can sweep. We've got customers that can have unlimited data usage. We have very simplified plans, but most importantly, the smaller players, and then our headcount can't compete against it, all right, so we are very, very targeted in terms of where we see our growth coming from under our consumer brands' perspective.

Government, again, we've just embarked on this journey. Government procurement cycles, our government procurement cycles, so we have a team focused on selling that. We have a Wellington office, and we are very, very deep in terms of TaaS and how we're going to succeed in the TaaS market. But as I've mentioned, more importantly for us is how do we take that TaaS product capability and move it into markets where we think we've got a better right to play, which is that mid-market and the enterprise market.

Harvest the network. So again, we take a very, very motivated view of how we can sweep this asset. So any capacity I can get onto that network either through disruption under my own brands or disruption through other people's brands or bringing more people into the market that can go into my network, I'm very, very focused on that. And we can see the benefits of that coming through, through our business now.

New market segments. So again, our Enterprise segment is very, very similar to the Australian market where the incumbents at the top end are looking after the customers that they feel are important, and we think it's the great unloved that sit amongst the balance, which is we are focused, we'll play in one. We'll go into some detractor stats shortly. But the level of satisfaction amongst that mid-market in New Zealand and that lower end of enterprise, there is not a lot of love going into those customers. They're typically unmanaged, and we have to have a very, very similar strategy to enter in the team here that we think we can come in and own that segment of the market.

And lastly of reduce cost to serve. So again, automation process improvements, more efficient use of staff, self-serve, we're very, very focused on this. We have to, and it's been a key part to our success in terms of our ability to grow and to maintain earnings, but this is a very, very focused part of the business that the entire company embraces, all right. So it's not forced. It's just part of the DNA in that they can see a small way of doing things, but we'll do it. We've never had to lower staff. It just happens with natural attrition. So bulk of the staff that we achieved through our automations typically come out through our customer operations' environments across the consumer and business segments. So it's a key focus for us.

So slightly deeper dive in terms of consumer. Don't panic. It's only a page on each that will stand between you and lunch and Q&A. Few things to call out here. So UFB has done incredibly well. So there's 50% of all homes connected on UFB now. The government is actually committed to rolling out UFB to 90% of all homes, so a very committed program from the government. Fixed Wireless access has come in, but it hasn't had much success. So I think Spark reports around 160-odd thousand customers, totally low-end users that have tried to get off. If you want a strong network performance or if you want to watch the Rugby World Cup, you've got to be on a fiber network, all right. And so we're very focused on that space.

As I mentioned, 1.4 million homes passed now with UFB and the program's due to complete in 2021. So we're going to have a very good line of sight. We've recently announced an attempt to unbundle the fiber network as well, so we announced a partnership with Vodafone. We're one of the largest unbundles of the copper network in New Zealand. So we've announced a partnership with Vodafone to attempt to unbundle the fiber network in New Zealand. We're facing a few challenges with that at a moment with the local fiber companies which is no big surprise to us. So we'll keep fighting that good fight for several years and see where it ends up.

In terms of the strategy itself for consumer, dual brand strategy obviously, price competitive but without compromising on service or network quality. So again, if I went back 5 years, we would be perceived as the price leader. I don't think we're a price leader. We're very, very competitive, but we differentiate based on network performance and service.

Broadband-led with compelling reasons to bundle. We're actually out with a campaign at a moment, which is giving away mobile free for 12 months. So the relative what it seems like a lot of value, if you compare that to some of the offers in the market, it's actually a fairly modest offer.

And I'd like to say we do have a goal to connect 1 in 4 homes on UFB. So our aspiration as a business is to get 25% market share. That's been our aspiration for about 4 years, so I think we're getting closer. It's part of strategy.

I already made the point, but you can these industry stats here, so 71% of customers on a no cap plan. And like I say, from our perspective, we don't offer caps at all. In fact, we don't even offer the entry-level broadband plan Our minimum plan you can get with us is 100 meg, all right. So we don't even plan the low and entry-level plans at 30 meg at some markets. We've just consciously chosen not to chase because we don't see there's enough money in it.

Business market. So again, this is probably a high-growth market for us. Again, the consumer businesses are tough. You know some of the challenges we face here, they're fiercely competitive and people seem to chase and throw a lot of money to try and acquire customers in that space. The bigger growth opportunity for us from a revenue and earnings perspective is certainly the business market. Key things to call out here is, essentially, we're seeing very, very high adoptions of cloud, and we're finding when customers move to the cloud, network performance and lack of network performance has been flagged as a major issue, all right. So the 50% of customers that move to the cloud made a point to network-related issues, which impacts our ability to use and consume services, all right.

Why is that good for us? That moment there, it creates a shopping opportunity, all right. So we talk about generational opportunity for the adoption of UFB, the move to cloud. Network's not living up to the performance they need to, so they're having conversations, all right. And then players like Vocus are prepared to do things differently right through the value stack.

I talked about the unloved. So the step there, so the NPS for that mid-market enterprise is negative 1 NPS. So for those of you that understand NPS, that's pretty poor. We see a big opportunity to go into those customers that are not receiving the service they need, not getting the dedicated support they need and us being able to go on and follow a pretty credible gap in that market.

If you look at these segments in the bottom there, the key thing I've called out there is, at the end of day, we are a fixed operator and we specialize in fixed. All right. We see good growth in mobile. But fixed is where we plan to win well.

So you can see in the Enterprise and ICT market and the Corporate and Government market, the fixed size of the market is significantly more than mobile. Also the procurement cycles in those spaces as well, you typically don't have mobile and fixed bundling. All right. So they are the 2 big segments that we go after because we got a network that can differentiate to add value, all right.

As you come down into the mid-market space, we still compete there, but you can see the mobile portion and the mobile categories are much higher. And typically, you've got fixed and mobile bundling occurring, all right. So we currently are not in a strong position from a mobile perspective. What we see is an opportunity. That is why we intently focus on the categories in the sequence where there is a high portion of fixed spend because that's where we can add the most value and differentiate.

And lastly, we've actually made a conscious decision to move our small end of the business into Orcon. So Orcon, our head of legacy, been a small business brand many years ago. Why are we doing that? We believe it has to go to a low cost operating model. The small business, sub-5% market is largely a consumerist product, product for customer. They need a low cost operating model. They need to engage digitally. They need to get all the benefits that we built in that consumer business across on our business platform. So we are in the process of actively migrating those.

In terms of how we're going to achieve some of this growth, the single-biggest lever we're pulling is increased investment in our sales force. So throughout the next 12 to 18 months, we actually already started. And we have increased the size of our direct and indirect sales force to go after in the mid-market in New Zealand, all right. That's the single-biggest lever we're pulling. We've got the product capability. We have the network capability. We have the solutions, the network engineering, all right. Now is the time to invest in the sales engine to go after the growth opportunity in that market.

And lastly wholesale. So again, the wholesale market is broadly split into 3 categories in terms of we look at it. The new entrant category is probably the strongest growth category we've seen at the moment. The amount of conversations and engagements we're having from players that are either looking to get into telco or looking to somehow take over components of that in terms of the offering to the existing customer base has increased significantly in the last 12 months. And like I say, I think it's a new market dynamic that is starting to happen on the New Zealand market, and I think we'll continue. We've also had a very interesting things where you have Z for example acquired Flick Energy (sic) [Flick Electric] recently. So you have an energy company -- sorry, petroleum company buy an energy business -- energy retailing business. So there's lots of really interesting dynamics starting to happen on that market, which are going to create some unique opportunities. Obviously, we also play in terms of SIs and MSPs. We obviously a key enabler of those under the wholesale benefit as well.

Service provider. So again, there's not many Tier 2, Tier 3 players that we do not provide services to. So some of the large Tier 2s that are quite successful on the market for providing backhaul capacity to them. As I've mentioned, that asset is a requirement. The bigger it gets, the diversities required. The smaller they are, that's the capacity they require. Typically, we're pretty innovative in terms of the solutions we come to market with, how we price them. We have models that can grow, so we might bring us -- come in as a white label. And as we get capacity and build network, we'll evolve our wholesale models with them. So we take a very, very flexible approach to make sure that we enable them at the start, and then we will take them on a journey to keep winning.

And then, obviously, the carrier markets. The carrier markets are pretty straightforward. We will all buy off each other. We have voice interconnection. We -- again, in terms of a national backhaul perspective, we actually buy diversity off them for our own purpose and to make sure that we got the resiliency through the network.

So the wholesale strategy is clearly enhancing the product suite. We actually have a core product there, the single-biggest thing that we're looking to do is the software enablement. So software is eating networks. There's a lot of over-the-top players that have come into the market in New Zealand and in Australia that are essentially taking our great assets that we've got in the ground and putting software over the top of consumerism, all right. So we're in a unique position that we own that network asset. We have to get better at the software layer and enablement we have to do deal with our customers. So our single-biggest investment in wholesale spaces is going to be at the software enablement layer.

Any other points? That's probably the main point in the wholesale stuff. That's basically where we're focusing on our investment.

Growth. All right, we don't hear about this in New Zealand much, [given tells me]. I'm not sure. So there is actually a few platforms for growth in New Zealand. It's what my Australian comrades say all the time. Firstly, I've gone on the first one at length, so I won't go into it much more. But the Enterprise market is a market that we have a right to play in, and it is unloved. So we're going to forge quite strongly into that space.

Mobile growth, all right. So we have actually gone out to market and tested the mobile market New Zealand and put all of our mobile business up for RFP. There's been a few regulatory review processes that will happen at a moment. And there are views that market is competitive, so we are going to test that theory and we've gone out to market for mobile. The key for us is getting the mobile part of it as akin to support growth and as akin to support growth in all market segments, all right, so that's across consumer business enterprise and even potentially wholesale.

We have really deep strong relationships that we think can penetrate mobile for our entire customer base. And our launch of Orcon small business, as I've mentioned, we're in the process of migrating our customers that are sitting at Vocus end of town into Orcon and we have now launched Orcon small business into the market. So that happened a couple of months ago. So again, leveraging simplified plans, digital platforms, energy, mobile and UFB bundling. So we think that, that brand will start to penetrate quite strongly in that space there. And I do think there are market share gains to be had in the consumer space. So I think we are very, very well positioned to get to our 1 in 4 target. We'll do that for a combination of continued market share growth under our consumer brands and also the enablement of wholesale customers. And so we believe 25% share is a realistic strategy that we can achieve across both our retail and wholesale brands.

We've talked about energy a little bit, but we do energy in mobile bundling very, very well. And when I say that, we don't spend a cent of marketing on it, all right. So we always have a broadband-led sale across all that segments and everything else is on attachment.

Somebody took my last slide off. Trying to cut me short on this, right? And back over to Kevin.

Kevin Steven Russell ***Vocus Group Limited - Group MD, CEO & Director***

Thanks. Okay. So almost to the end. So thanks, it's been a long morning. That's the first time Mark Callander has ever presented without getting cut short which is, of course, New Zealand is always cut short because it's always -- to be honest, always on target. It's always working well.

Just some key takeaways and then we'll go into Q&A. This is a 3-year turnaround. I mean I said to Bob before I took the job, this is now my fourth startup of turning around. It's not the biggest. It's a long way off the biggest. Every single one has been the same. You get more foundational work to do than you think. It takes longer to move. And if you do that stuff well, it moves quicker 2 or 3 years down the track. Vocus will be exactly the same. So I'm not going to take the shortcuts. I'm not going to just go for the quick wins and build a shaky foundation and sell it with -- on their own. We're going to build it properly. We're going to do the foundational stuff and then we're going to fly. And 3 years' time, turnaround in 3 years to me means every part of the business is growing and Vocus networks is flying. Vocus networks is leading. So I'm very, very clear as to what a 3-year turnaround looks like and how strong we have to be when we come into 2022.

Team and plan in place. We've done a lot of foundational work on team. You have seen a bit of that today, but actually, greatest respect to what was on stage today. There's a lot more done within the business that has been changed out. There's a lot of quality done within the organization just know as well elevating quality that was there already and given that the opportunity to perform the way it can or they can. We just need to execute now. It's not a case of presenting a PowerPoint, and we just need for the next 2 years, we just need to execute and we need to deliver, and we need to demonstrate the proof points.

The core business is Vocus networks. That's where the value is. That's where the discretion in dollars will go. That's where we will really focus on specializing and win in the marketplace. And then at this point of the presentation that Ellie gave is really important. The simplification, modernization, simplification of technology. We're not talking much of the market opportunity just now, but the market opportunity is real. If we get the right platform in place from a technology standpoint, the financial prize is strong. For us to be able to take our infrastructure and operational cost down at the same time as our revenue is growing, that is awesome operational leverage. I don't know how many CEOs stand up and say they're taking cost out and when they present the results, you don't see it because the other costs have gone up. And it's blended out to a higher number. We're not seeing that. We've seen the costs are going to go down.

Retail diversification is key. I guess an interesting point to reflect on is Mark has built an absolutely outstanding business in New Zealand, but a lot of what Mark has done, those opportunities were available to us in Australia 4 or 5 years ago. We may have not led or taken the right, brave decisions 4 or 5 years ago. Antony has taken them now. Antony's quality, he's an outstanding retail executive, but there's a certain style of leader you have to have for these resale businesses when you're dealing with tight margins. So both Mark and Antony, they're all over the detail. They sweat every single asset. It's not glamorous. You got to work at it. Antony knows that. Mark knows that as well.

Retail target, turnaround in the second half financial year '21, growth into '22, and New Zealand business is a cracking business. You just look at what Mark's presented in. And it's all just rock solid. It's an interesting time in New Zealand. There's consolidation in the marketplace. People joking as to where we go next. Mark's business is very well positioned. The way I look at the retail in New Zealand businesses, certainly New Zealand, I like to stay out of the way. I can only actually get in the way. Mark knows what he's doing. And retail, similar logic. Antony knows what he's doing. The focus for myself is Vocus Networks.

So that's a pretty detailed 3-hour update. Hopefully, it's helpful. As I say, going all the way back to the introductory comments. Too much noise around this organization. For us, we know what we're doing. We know where we're going, but it's been important for us to share where we're going. And Mark talks about it boringly good. I'd like to think as a team, we're boringly consistent, and we're just going to come back and back and back and talk to the same plan for the next 2 or 3 years.

So with that, I'll ask -- I mean, it's a small stage but I'll ask actually anyone who has presented to go up as well. Mark, can you come up on stage, and we'll do Q&A. I think there's a couple of hundred people online as well, Bill. Okay, so we'll do questions in the room first.

Bill Frith

Yes.

QUESTIONS AND ANSWERS

Kane Hannan ***Goldman Sachs Group Inc., Research Division - Research Analyst***

Kane Hannan from Goldman Sachs. Just a couple from me. Just on that '20 guidance. You obviously have -- sorry. It's Kane Hannan from Goldman Sachs. Just on the '20 guidance. Obviously, I understand there's a few moving parts going on. But can you just talk a bit more about that implied slowdown from the $190 million you're guiding to in the second half of this year. And that's why the earnings are going to be skewed again next half -- next year from a half-to-half basis. And then just on the Enterprise growth, so you're guiding to that to accelerate again in '21, following the growth in '20. Could you just talk a little bit more around the execution risk of those projections? And if you do achieve that sort of growth, what sort of market share gains you're expecting to achieve there relative to that target of doubling enterprise market share?

Mark Wratten ***Vocus Group Limited - CFO***

Yes, we are guiding to a stronger second half. Again, the first half is probably going to be weaker than our second half that we have this financial year and that's all really in the retail business. Part of it's seasonal around the energy business, and part of that is actually because we're a bit more conservative as well. But we've changed the way that we sort of account for the energy business. We're very conservative. We sort of set Antony a wholesale price and build up a buffer during the course of the first half to account for any sort of hot-weather events in January and February, which we've had pretty much every year since I've been here. So there's an element of that. But also, he's got a -- a large amount of his marketing spend is in the first half. So it's predominantly in the retail business. The declines that we sort of set out as well around the legacy voice and the migration to NBN is in that $20 million to $30 million that we sort of set out as far as the decline. It's probably 2/3 of that happening in the first half, whereas the growth in the Enterprise business is probably -- is 1/4 or 1/3 in the first half versus as they build momentum into the second half.

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

Sorry, Kane, what was the second question?

Kane Hannan ***Goldman Sachs Group Inc., Research Division - Research Analyst***

Just around the enterprise growth forecast and how you're thinking about the $20 million to $30 million -- the step-up in '21 to more than $20 million to $30 million, and how that reconciles with your market share targets side of it.

Andrew Wildblood ***Vocus Group Limited - Chief Executive Enterprise & Government***

Yes. I mean you asked the question of risk. What's market opportunities there, the risk is always to encourage the customer to move from where they are today. So whilst I generally find I suppose, given these organizations in Australia can generally whinge and moan about where they are and be conservative not to move, it's our job to convince them there's optionality. So typically in enterprise, you could be starting conversation there or establishing that they've got a contract for another 12 or 18 months, engage in a process, execute contract that is probably another 3 months to actually realize the revenue. So it's really fazing issue of my ambition against taking the market share. At the same time, it's executing on the product rollout that I've mentioned to make us more relevant in the existing customers and sell more products to them. So it's really just a matter of timing of acquiring the customers and then rolling networks out and executing them. And once you get a customer that's typically 2 to 3 years minimum in revenue generation, so it's that sort of selling, delivering and buildup of revenue. At the same time, the growth also predicates that we do an exceptional job, which we're now starting to do in our second half of this year of slowing down churn. So making ourselves more relevant to existing customers that they don't leave Vocus and go somewhere else. So that kind of slowing down of churn because you've got a better coverage model across the customer base and you bring in the relevance, and sort of slow the churn, so you get a platform, win in market and then you see that revenue kind of take off.

Mark Callander Vocus Group Limited - CEO of New Zealand, CEO of Wholesale & International & Executive Director

I'll just add, we're not -- it's not a standing start, all right? So we actually have momentum today. So it's not like we're waiting for something to happen. We've got a line of sight to what's happening in the business.

Andrew Wildblood Vocus Group Limited - Chief Executive Enterprise & Government

And then we've had an exceptionally strong second half and sales momentum just finished, right? So you'll see that revenue realized as well as it delivers. And the only other risk, I don't it's really see a risk but as you, whenever you do a transformation in your network, which is what Ellie is doing, we still have to maintain the capacity to service customers and deliver the pace that we delivered today. We assume certain time frames to deliver services, and they can't be compromised. So that's pretty much -- okay?

Ellie Sweeney ***Vocus Group Limited - COO***

I think you probably add in there is a commentary around the channel, which quite frankly today, is pretty well nonexistent for the Vocus team and a fantastic opportunity for not only in enterprise but also in wholesale.

Fraser Mcleish ***MST Marquee - Head of Australian Media, Online and Telecommunications and Telco & Media Analyst***

Fraser Mcleish from MST Marquee. Just 3 for me. Just first on sort of price competition, particularly from Telstra, I mean they're actually reporting their sort of data networks or IPVPN revenues going backwards despite more services, which suggests they're cutting prices more aggressively. Is that what you're seeing in the market? That will be my first one. Second one, can you just talk about Optus MVNO a few times. I'm particularly interested in how you can use that for wireless bypass. I mean are they going to give you a wholesale product to bypass the NBN and what's the economics of that look like compared to the NBN? And then just finally, on CapEx, you obviously bumped up the CapEx and guidance for next year. I mean is that signaling we've got a higher sort of capital intensity in this business sort of going forward slightly further out.

Andrew Wildblood ***Vocus Group Limited - Chief Executive of Enterprise & Government***

Okay. I'll take the first one on data and IP, revenues and how Telstra may respond. Telstra, when you've got a dominant position and typically they're in the 50% to 60% market share. So very dominant. They've been hit by NBN first, because as NBN comes in and sort of disrupts, then they're having to replace their existing fiber revenues or copper revenues on to NBN services. So they will see a dropoff there. And everyone is attacking them. We're only one of a number of partners who are winning in the market against them. So that sort of explains that. And pricing, yes, they will respond, and they have responded. They're constantly having to adjust because of what NBN is doing. So NBN's release of its recent Ethernet pricing which has only just come out, I'm sure they'll respond, they'll have to because their customers as they come off contract to go into either, sort of say, we'll actually do something when they leave or they're going to suffer the consequences of more churn. So I think they will, but [they are slower] to respond, and so you've always got a window in which you can execute against. So that's what we're incredibly focused on.

When I -- just anecdotally, it's not really anecdotally, it's actually real. When I responded to RFP to the recent one, if someone had been on a legacy contract with one of the incumbents, and we respond, we can be up to 45% lower than what they're currently paying, that's been locked-in something for 3 years. So you imagine if you've got that revenue and you have to respond, you might not have to go all the way to where someone like Vocus goes because you may have other services, but that's a big drop of how we're renewing. So it's -- they've got the problem of the legacy-based install, that's attacking by competitors plus the NBN issue. That's the reason why you see then a decline.

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

Fixed wireless, I'll discuss this with Optus on 3 stages, MVNO, then let's look at fixed wireless and let's look at what we can do from a backhaul standpoint. MVNO done, a very good relationship, very good arrangements for Vocus to support Antony's growth. Fixed wireless, different arrangement and that's something we will talk about not next month, but progressively in the second half of this year as and when Optus is ready to push 5G in the fixed wireless. I think it's a big opportunity in fixed wireless. When I say short mobile, I mean, mobile. I don't really see the generational benefits of 5G in mobile in a competitive marketplace. I absolutely see the benefits of 5G in an environment where the broadband service is questionable both in terms of quality and price. And if we can access the service at a war price than NBN at a quality better than NBN, that would be really, really interesting to us. The beauty, we've been very transparent. We will -- we are very happy to subjectly share our customer base with Optus and say, we've got that customer in that location using that amount, do you want them and we'll pay you ex amount less. That's how it would work as and when we get to the place where Optus has that service. I think 5G is very interesting for fixed wireless. On CapEx, Mark?

Mark Wratten Vocus Group Limited - CFO

Yes, on CapEx, obviously regarding to the high-level next year because of the investment in the future state and IRUs. FY '21 will actually probably be another $15 million or $20 million. You saw on Ellie's slide that the future state program goes from $15 million to $30 million. So that's a big chunk there. But we also do have a high level of IRU spend planned in FY '21 to build out that network that Mark spoke about. And then, you'll see it coming down into FY '22 and then in '23, '24 should get back to levels that we've seen in FY '19, so the $160 million to $170 million.

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

Eric.

Eric Choi ***UBS Investment Bank, Research Division - Director and Australian Telco and Media Lead Analyst***

Eric Choi from UBS. I've just had 3 questions as well, maybe I'll have one by one. First one, maybe for Andrew. I just get the feeling, Kevin doesn't want to create [a road for his own back] But I think at the beginning of the presentation, Kevin was confident that you guys can still hit your 480 LTI. And then if I look at your FY '22 targets, growing into probably sort of 30% to 40%, that doesn't get me to 480. So I guess, the question is how much of this government upside? How much of this North West Cable upside? How much of this Optus 5G backhaul upside is baked into your vision? And if I asked you, Andrew, direct, the most material out of those, how would you rank them?

Andrew Wildblood ***Vocus Group Limited - Chief Executive of Enterprise & Government***

Yes, the North West -- I mean, who knows what happens in share prices grow frankly. But I understand your calculations, so I get the logic, but all I can -- all we can do is execute against the opportunity right and the North West is an opportunity. But the reality is that the revenue streams are not North West, won't even equate in the timeframe we're talking about because by the time you construct it and build, this can be 12 months to do so, getting permissions to build. Your revenue streams are kind of kicking in, in some cases, in the oil and gas opportunity in '22, '23, '24 long time after an LTI has sort of happened or not happened. That would be on the North West. What was the other question, sorry?

Eric Choi ***UBS Investment Bank, Research Division - Director and Australian Telco and Media Lead Analyst***

And there was Optus 5G backhaul and then obviously all the government...

Andrew Wildblood ***Vocus Group Limited - Chief Executive of Enterprise & Government***

Yes, [Jon], you want to take the 5G?

Kevin Russell Vocus Group Limited - Group MD, CEO & Director

Yes, 5G backhaul, let's see what happens over the next 12, 24 months. NBN, fixed wireless backhaul is another opportunity. I'll just say one thing on share price, which is -- and I think this is -- this comes back to if we're scratching the head all but with EQT coming in. These are 3 separate businesses, and we are going to get very clear around them in separate businesses and where the profitability lies in those separate businesses. I think, as that happens, there will be an increasing understanding of the profitability and value of the different businesses and that's obviously real in terms of how we think about optionality going forward. But certainly, for people looking at the business services how I look at it is that infrastructure business, I think, is undervalued personally. So that's a separate issue from when programs kick in.

Andrew Wildblood ***Vocus Group Limited - Chief Executive of Enterprise & Government***

Yes, I mean, we didn't -- and Kevin did a good job of putting that, that is -- there's other things we're working on. We're not certainly disclose that as well. So there's plenty of options for us.

Eric Choi ***UBS Investment Bank, Research Division - Director and Australian Telco and Media Lead Analyst***

That was actually my next question. I'm trying to get a better look for into those crown jewels if you like. So maybe for Mark, that $180 million of group OpEx and that $200 million of CapEx, can you help us break that into the network services versus the retail businesses?

Mark Wratten Vocus Group Limited - CFO

Yes, I will at the end of August, Eric.

Eric Choi ***UBS Investment Bank, Research Division - Director and Australian Telco and Media Lead Analyst***

Okay. Maybe 1 last one for me. Just on the outlook, again. EBITDA flat FY '20 versus FY '19. Just trying to get a sense of how much of that is sort of Andrew putting in his key sales guys, big investing in new products and then does that normalize in FY '21? Because obviously, Kevin, you said nominally, you expect OpEx to step down at some point?

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

Yes, so I think it is unquestionably a nominally of investment and capability during the course of, I would say, even the last few months that kicks in, in financial year '20. I expect the improvements in terms of some of the efficiency to come through as well in service delivery later next year into financial year '21 as well. So those investments that we have a full year of cost for before they actually kick into revenue. But the main softness in financial year '20 comes from retail. And we've been very measured around when we see the operational efficiencies coming through, when we see the growth kicking in, in terms of networks.

Unidentified Participant

I think you've already done this for network services, but Antony, can you give us a long-term picture of where your cost base is going in 2 to 3 year's time?

Antony De Jong ***Vocus Group Limited - Chief Executive of Business & Consumer***

Yes, so I look at cost in a unitized way. And for me, it's important that we have the change in the technology that allows us to be multitenant and cloud-based, and we're a low capital consumption retail top business model is very different once we have capital intensive and ownership economics applying as we're doing network services. And when you look at our cost, are expected to reduce over the next 3 to 5 years as we get that technology centralized and modularized for our different brands. And our unit economics, I mean, I would like to say that in the low-teens to even less than $10 per month. So you can actually work out the unit profitability to add to that level. When Mark finishes his work, we'll be more clear on that.

Unidentified Participant

Okay. Great. And also another question for Andrew. Just out of interest, can you talk about the difference between the enterprise and the government and why your market shares are so different between those 2 markets? Is there a legacy issue? Or is there something else?

Andrew Wildblood ***Vocus Group Limited - Chief Executive of Enterprise & Government***

No, I mean, we've got higher than average market share in federal government, and that's a legacy of next-gen contracts with secure long-term builds for certain parts of government and Federal. That's sort of makes it more kind of 11%, 12% in contested areas, but equally, in state governments, we've done very well historically in South Australia, Northern Territory in Western Australia, but we've not done so well in Victoria, Queensland and New South Wales. And that's where there's big opportunities for us to do more. And nationally, around the country, again, it's sort of -- a lot of it is to do historically so the Amcom opposition in the West means that in the West, we have sort of more like 11%, 12% market share. So a higher market share percentage in the West than we've had with our businesses on the East Coast, and that's a bit where we're very focused as well in terms of winning, which we're now seeing more in New South Wales, Victoria and Queensland. So we've had some nice wins in the last quarter, which are good-sized customers in those markets. So I think some of it is historic and some of it really has been focused and now it's about purposely going after the areas where we think we can make a difference. So that's probably explains why you see variances.

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

The 3 businesses are in very different stages. I mean, Wholesale, Andrew alluded to, Mark alluded to, there's been a pretty solid wholesale capability that includes product within Vocus, therefore Wholesale is in a solid place today. Government is next-gen, and there is actually a small government team, and [that's pretty good always], all that's really needed is the support from the business more on the product standpoint. Enterprise has not been our focus for the organization historically. And that may come back to quality of executives required on that and quality of investment that needs to be put into product to realize it. It is a heck of an opportunity for us in the next 3, 4, 5 years.

Entcho Raykovski ***Crédit Suisse AG, Research Division - Research Analyst***

Entcho Raykovski, Crédit Suisse. Couple for me. And the first one, if we look at Slide 16, and that $9.6 billion opportunity, you've spoken about. Just interested in your thoughts as to whether you view the whole thing as an addressable opportunity given you've spoken about not wanting to be a managed services provider and part of that presumably would be linked to the provision of our services? And then, how you view that market going forward? Do you expect that to be under pressure given that there is clearly pricing pressure within the industry? So do you expect to see continued growth? I guess, that's the first question. And second one a little bit more specific around the guidance into FY '20, the cash conversion of 90% to 95%. Does that include any prepayments related to ASC? I'm just conscious that you got I think it was $26 million in the first half or whether you say that is being an underlying number?

Andrew Wildblood ***Vocus Group Limited - Chief Executive of Enterprise & Government***

I'll take the first one. So the first one, $9.6 billion is our best estimate based on market analysis and we stripped out things we don't really compete in like mobility and levels of managed service. Do I see growth in data and IP? I see the usage of data and IP going up, but price pressures and what NBN is doing means that, that sort of the dominant incumbents they may see that decline, which is what your point was there. But again, when you're only playing in 4% of the market, then your opportunities even in a declining market is to take market share and grow. We're not -- I talked about managed services, I mean, I don't want to go and build the network application services business that, that kind of manages loads of people who are doing conversions from workloads into the cloud, I'll go in part with the people who can do that and I'll pull through the network. And that's the bit that are most interesting because that's where the most marginalized for me typically services margins are a lot less, can be a lot less on top of a network than leading with services. And you also add a significant amount of cost into your business, which is not what we want to do. I would achieve any of that opportunity through the strategic partners that I'm partnering with and we're in a market I'd want to just leave good advanced conversations on building up the capability to compete in those areas. What I am saying and this is just again, anecdotal, but it's actually real is that a lot of the long-term big outsourced contracts that companies were in, where they went a whole of business procurement and now not being considered that way, and we're seeing a lot of tenders come to the market where companies are breaking it down and saying, I'll discreetly buy mobile and I'll discretely buy data and I'll discreetly buy voice in towers, rather than the whole of business solution. I think companies are seeing that whole of business hasn't yielded the necessarily the benefits that they would have had before on scale. And because many parts of the value chain are now commoditized, you know that you can go and get or you're getting mobile for $40. I know I could get that even if I didn't have my data with that company, that's where I also believe there's this opportunity because people are seeing that the data network becomes the absolute foundation of that business, and they're putting more focus on specialist providers who can really get the data element right because the other elements might be easy to change and that will be more commoditized. That would be my response to that so that helps you?

Entcho Raykovski ***Crédit Suisse AG, Research Division - Research Analyst***

And on the cash conversion, for next year, it's clean. So it doesn't include any assumptions around upfront cash payments or cash receipts, sorry?

Unidentified Participant

So one of the things that you raised when you presented your FY '18 results -- actually a couple of things. But one of the things was around good infrastructure, but underutilized and good relationships with government, very good relationships with government, but also underutilized. How do you tangibly measure the progress or success in relation to those opportunities, as in now? And where do you see how much more can be done on that front?

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

So tangibly measure part, I mean, ultimately, tangible measurement comes with hard dollars and contracts and increase in revenue. The -- I mean, the insights both Bob and myself have had in Canberra have been exceptional in terms of people we have spoken to wanting us to do more than we are today. We have line of sight for that maybe in financially with some of the discussions we're having. That's 12 to 24 months off until you see it tangibly, but I would probably suggest that we've got enough insight to have made substantial investments and to secure capability during the course of this year, that will come into market in September, October that demonstrates a level of confidence. Government is a big opportunity for us. The numbers that we were up in -- up earlier in terms of the addressable market and our share, we see significant upside based off the ultimate conversations we're having and the request for support that we're getting. There is a lot of big relationships to build off. And Andrew would say it, I think Mark would say it as well and Bob would say is that we have put the government team almost in the cupboard and forgotten about them. It's almost -- it's like taking people out of the way and finding that you've got a whole series of (inaudible), that takes a bit of time to come through. But it feels like that (inaudible). So tangibly, let's see what the actual contracts comes through.

Andrew Wildblood ***Vocus Group Limited - Chief Executive of Enterprise & Government***

The second -- yes, there was a second question on network, which is Ellie's measuring network utilization. So your statement was, I think, that we've got an underutilized network. Ellie, do you comment on...

Ellie Sweeney ***Vocus Group Limited - COO***

I mean, that's really easy one. There is just a measurement of utilization across running the inter capital network, which is broken down by, I think, up to 15 routes. So we measure that on a daily, monthly basis on what that utilization looks like.

Unidentified Participant

And are you seeing progress? Is that better than where it was 12 months ago?

Ellie Sweeney ***Vocus Group Limited - COO***

Look, we're seeing some progress and I think that -- so the counter of that is obviously around the network economics. So that's owning that network and therefore, how you go to market, how you price and how do you then determine the third-party usage as well, whether that's a Telstra tail, our own tail or whether it's an NBN tail as well. So I think from our perspective -- the other thing I would say, when we spoke about things like software-defined networking, one of the things you do need to be able to spin up and spin down and whether that's into capital, whether that's data center is actually that capacity. Now the nice thing for us we are in a position where we actually have capacity. So without investing a lot from a capital perspective, that capacity exists today, which is really quite positive for us, and I think it goes very well to the total cost of ownership network economics.

Unidentified Participant

And one more question, and this is probably perhaps retail-oriented. It relates to the issue that you called out, again, when you presented your FY '18 results and it was around integration issues really. So the progress relating to that, there was an opportunity to resolve a number of things that haven't quite integrated as well as you would have liked through the numerous acquisitions that have happened in the past. So where is that at? And how do you measure success, I guess, on that front as well?

Antony De Jong ***Vocus Group Limited - Chief Executive of Business & Consumer***

So that's probably a two end, one, where there's obviously a network and systems, future state piece that Ellie presented today. There is also the evolution of the digital and technology team within the retail business now, which has [appealed] Across into the retail business. That is now 1 team. We are progressively working through both simplification of brands, simplification of products and simplification of systems. And that is why it's a big turnaround within retail. But that's what drives the cost out ultimately when we get to the cloud-based [single-user] Stack. So in terms of progress with that, that's where that was commenced, funded in FY '20 to continue some of the planned consolidations already occurred as I mentioned around Commander and it is also happening in retail. And part of that also includes the brand simplification. We have 3 or 4 grandfathered brands with customers that we need to put on the right platforms and on to our current product spec today and that's all happening in the next 12 to 18 months.

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

Yes, I'd be blunt in terms of say, when I looked at the results in August, I would say we hadn't dealt with legacy, the bulk of the integration challenge of the legacy. I appreciate there's being complexity too. We worked through the plans progressively over the last 6 months, I think by April, May, I think, we've been very clear as to what we now need to do in legacy and those plans are underway. So that includes Ellie's presentation as well as what Antony's got underway.

I might go on to the questions that are online, [Eric] .

Bill Frith

Thanks, Kevin. And thanks, everyone, who's listened on the webcast. You stuck with us for a few hours, so thanks very much. And there has been a bunch of questions come through, many of which I think have been answered by the discussion so far but there is just a few that I think are interesting. So one here is, Kevin, can you explain how the incentive arrangements work and are coordinated? Are they based on EBITDA or return on capital? And then following on from that, given the bulk of the value is in the fiber network, how is responsibility for generating return on this divided between the team? And how does that impact on those incentive arrangements?

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

So the incentive arrangement is really simple. It was -- and certainly coming in and I wanted it to be really simple, which is the individuals on stage and some other individuals in the company, particularly individuals on the stage in [Amber] And AJ have a basic salary and then, share options are a 3-year share options. So they were issued primarily in August of last year. There is 3 years before those options can vest. So another 2 years from August, (inaudible) whatever is that, 26 months and for those options to vest, at a minimum, the share price needs to have increased by 50% from when the team joined. So on average, that may be from 240 share price up to 360 share price and for 100% of the options to vest, needs to be at 480. It is no more complicated than that. The access to those options, 50% is available in 26 months' time and that's 25%, 25%, years 4 and year 5 from a retention standpoint. It is not influenced by any individual performance in any particular business units. It is really, really simple. It's a fabulously effective tool from 2 points of view. One, simple to explain and attractive for those who buy into the value creation opportunity in the business. Therefore, we've been able to build a team quickly that is a very good strong team that's focused on shareholder value. And 2, bluntly, it means that the ability to say the core value creation opportunity is Vocus Networks and that's where discretionary capital goes is not a political discussion, it's a value discussion. So if Antony wants an incremental $2 million but that actually can be leveraged better in Vocus Networks, it goes into Vocus Networks in the same remarks. So the LTI structure is really effective in terms of in brutal our own what dollars drive the best return. Does that answer it?

Bill Frith

I believe so. And this actually a fairly simple question but it's come up a few times in that the guidance on dividends has been or there has been no guidance on dividends. Can we give any guidance on dividends?

Mark Wratten Vocus Group Limited - CFO

Yes, there will be no dividends this financial year. Obviously, a part of our -- I think we set it out that we have to -- as part of our current syndicated facility arrangements, we need to get to a certain leveraged position for 2 consecutive reporting periods before we can consider it evidence but given the capital that we've got planned for the next few years, although I'll be deleveraging, I won't get to that point. So...

Bill Frith

One more. And again, this is something I thought we may have answered in the presentation, but it has come up again here in the Q&A a number of times, just asking for comment on EQT and AGL and why they may have walked away?

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

It's...

Bob Mansfield ***Vocus Group Limited - Chairman***

No, he's the one that received the phone calls about declining, I think I'm not in a position to answer that. That's exactly the same answer that Kevin would give. When I receive a phone call like that saying we're not going to proceed, I don't try and change their mind. I mean, they're big boys, I know what they're doing. You just accept it and you move on. But if you look at my personal view looking back on it, I think they were very logical business model decisions from the point of view of highly leveraged company like EQT coming in and finding a slightly softer [year 2] than what they probably envisaged, a high capital expenditure impacts internal rate of return, maybe didn't fit their model and they made that judgment and I respect that and they move on and we move on. On the other issue with AGL, that was an industry bar as we all know. I don't know -- I, in fact, was out of the country when that -- in the first week of due diligence went on, but I suspect there was a fair bit of shareholder interaction and again, the company makes a decision based on its own reasons and moves forward. There is nothing revealed untoward. There was super complimentary comments about the management teams. Both processes were very professionally and respectfully done. And as I said, once the decisions are made, you take them on board and you move on. So there is no mistake to it and trying to read mistake into it, my answer on that really, if you want to know that, go and ask EQT and go and ask AGL because I'm not going any deeper than that. So we're back on track. And as Kevin said, we're focused and we're going to achieve what we said we're going to achieve.

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

I think one of the key points that Bob just said is there was actually execution risk to both EQT and AGL's own individual positions. And that's something that was never picked up, but unquestionably, EQT had its own individual challenges of PE firm in terms of how to finance an acquisition like this, which may well mean that the focus in the first couple of years is more prevalent and AGL had its own execution issues. So it's interesting how so much of the focus ended up on us. For us, it'd be really blunt noise, frustrating noise, but noise and what we've done today is just articulate where we're going and we're not going to cut corners. It is going to take time to build a business that flies in 2-years time and some people like that, some people don't.

Bill Frith

Probably last one from the webcast. And again, it's a theme -- by making the retail and the New Zealand business units stand-alone, does that make them easy to sell? And is that a desirable outcome?

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

It does make them easier to be understood, valued and operated and potentially realized. That's not the reason. I've been very blunt. The first thing I did when I came in was see I want this retail business not tied into the Vocus Networks business because what I could see and I have seen it so many times before is retail wanting to get some products to market and someone over here saying, well, that -- we can do that in 7, 8, 9, 10 months once we've got the dollar stuff done. At that point, you're dead. A resale business has to be lean and it has to be nimble, therefore, it has to be in charge of it's own destiny. The reason that Mark has been so successful in building this business is New Zealand is because lots of it has been left alone and not been relying on the [mothership]. Retail needs to be set up exactly the same. So first and foremost, it's about: one, operating it better; two, then understand the valuation. When you said it stand-alone, Antony has got the right to push back on costs, like, Ellie can say I can do it more efficiently somewhere else and you start to get a business that actually has a proper efficient cost structure so they wanted to is absolutely optionality, yes, easier to realize, but that's absolutely not the intent or focus just now.

Bill Frith

That's it from me. Probably room -- time for one more in the room.

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

You've one more?

Eric Choi ***UBS Investment Bank, Research Division - Director and Australian Telco and Media Lead Analyst***

Just a follow up on the enterprise. $20 million to $30 million of growth in FY '20. Just because there's so much noise around the Coral Sea Cable, Vodafone contracts washing out in ASC. Can you just help us dissect, I guess, how much those -- that feeds into the FY '20?

Mark Wratten Vocus Group Limited - CFO

Yes, [Jon], I'll answer that. So in terms of our FY '20 forecast, in terms of project type, contribution to EBITDA, it's going to be similar to FY '19. So we don't see any of that incremental $20 million to $30 million that we've guided to, Eric, being as a result of Coral Sea or other projects.

Eric Choi ***UBS Investment Bank, Research Division - Director and Australian Telco and Media Lead Analyst***

And ASC?

Mark Wratten Vocus Group Limited - CFO

Now -- ASC is business as usual now. So ASC definitely will be contributing to that growth absolutely.

Eric Choi ***UBS Investment Bank, Research Division - Director and Australian Telco and Media Lead Analyst***

And will there be any further Vodafone contract drags?

Mark Wratten Vocus Group Limited - CFO

I'll pass that on to somebody else.

Kevin Russell ***Vocus Group Limited - Group MD, CEO & Director***

I mean the Vodafone contract drag has been solid and we'll go through in August, but unquestionably, that's been a solid hit for us this year and will drag into next year. So one of the interesting reflections from we going back to the last 12 months has been the time it takes to get the hands around the bits in the business I think, we could have done a better job earlier of knowing the risks around that Vodafone contract, or those Vodafone arrangements. I think we've got a better view on that going into next year. So that definitely impacts next year. So I'll wrap at that. Again, I'm going to repeat the same comments. We are going to be boringly consistent. So hopefully, today it was helpful. It's -- we're very clear with where we're going. We've done a lot of work. Now we're going to do a lot of executing. So thank you very much for coming, and thank you very much for listening. Thank you.
