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The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra announces two major infrastructure projects

In accordance with the Listing Rules, I attach a market release, endorsed by the CEO and CFO, for release to the market.

Authorised for lodgement by:

Sue Laver
Company Secretary



Telstra future proofs Australia's digital economy with two nation-building projects

Wednesday, 2 February 2022: Telstra today announced it will invest in two major telecommunications infrastructure projects to support the nation's digital economy and enable unprecedented levels of connectivity across Australia.

The two distinct projects are:

- Building and managing the ground infrastructure and fibre network in Australia for Viasat, a global communications company. This program will support the new ViaSat-3 terabit-class global satellite system as part of the 16.5 year contract.
- A major new fibre project to build state-of-the-art inter-city dual fibre paths. The investment will add up to 20,000 new route kilometres to increase the capacity of Telstra's already extensive optical fibre network.

To deliver both projects, Telstra expects to invest \$1.4-1.6 billion outside of its BAU capex¹ envelope over the next five years. It expects to invest up to 70 percent of this total commitment across its T25 planning period, or an additional ~\$350 million of capex per year over FY23 to FY25.

Telstra CEO Andrew Penn said the two projects recognised the strength of Telstra's network assets and were part of Telstra's T25 InfraCo ambition to deliver profitable growth and value by improving access, utilisation and scale of its infrastructure.

"Investing in these two truly significant nation-building projects will see us continue to have the largest inter-city fibre network in the country, helping to future proof Australia's digital economy and further improving connectivity in regional Australia," said Mr Penn.

About the Viasat program:

Each of the three global ViaSat-3 satellites are designed to offer over 1Tbps of total network capacity to deliver data and video streaming speeds of more than 150Mbps. Viasat provides broadband internet services to fixed, mobile and government customers globally.

Mr Penn said the Viasat build would be the largest-scale satellite solution deployment in the nation's history.

"It's a clear demonstration of the potential opportunities we have when we combine Telstra Enterprise's customer management and service capabilities with Telstra InfraCo's industry leading existing infrastructure assets and new build capabilities," Mr Penn said.

Dave Ryan, President of Viasat's Space and Commercial Networks said: "Telstra is a trusted, well-respected organisation with impressive infrastructure assets in Asia and an extensive fibre network.

"By leveraging their existing infrastructure for our ground network, we can cost-effectively optimise our satellite assets and significantly lower our risk of deployment and operations for the ViaSat-3 terabit-class satellite system. We remain focussed on delivering advanced connectivity – from mobility and government services to connecting hard-to-reach communities – across the region," said Mr Ryan.

Telstra will co-locate Viasat's satellite access node (SAN) equipment at hundreds of sites across Australia and will build and manage high-speed fibre links to each site. The network will connect the SAN sites to multiple redundant data centres that will house the core networking equipment needed to manage the expected increase in data traffic.

About Telstra's major new fibre project:

Mr Penn said the new inter-city fibre project would accelerate Telstra's investment in the growth of InfraCo, while enabling ultrafast connectivity between capital cities and improved regional connectivity, including opportunities for higher capacity mobile backhaul.

¹ Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.



“This will support remote working and education needs, health services, high-definition entertainment consumption and online gaming, and IoT use cases such as mining and agriculture,” said Mr Penn.

“We’re already seeing connection speeds on the current network surge from 100GB to 400GB and beyond through our investments to date. There is growing demand for greater fibre capacity, enabling massive bandwidth and ultrafast data rates with lower latency. The time for delivering the infrastructure to support this is now.”

The investment will deliver up to 20,000 route kilometres of new ultra-high capacity, low-latency fibre that will enable transmission rates of up to 650Gbps (six times today’s common rate of 100Gbps). It will enable express connectivity between capital cities up to 55Tbps per fibre pair capacity (over six times today’s typical capacity of 8.8Tbps per fibre pair) on routes such as Sydney – Melbourne; Sydney – Brisbane; and Perth – Sydney.

The national fibre network project is a multi-year build which will commence at scale in late FY22 with early trial and test deployments already underway. Discussions with key anchor customers for the national fibre network are progressing, including with global hyperscalers, local telecommunications providers and construction partners.

Mr Penn said the infrastructure investment opportunities demonstrated the benefits of Telstra’s T22 strategy, including to establish InfraCo as a standalone business.

“They are also consistent with our strategy to create value from InfraCo, including considering monetisation opportunities over time,” said Mr Penn.

“Our strong cash flows and T25 growth ambitions provide us the flexibility to make these strategic infrastructure investments, whilst maintaining flexibility to return excess cash to shareholders. Together, these investments are expected to deliver incremental long-term accretive growth.”

Telstra continues to expect cashflow to remain ahead of accounting earnings. Capex, including this investment, is forecast to be ~\$250 million per annum lower than adjusted depreciation and amortisation.

Both infrastructure projects meet Telstra’s organic investment criteria and are consistent with its capital management framework, including a commitment to balance sheet settings consistent with an A band credit rating. Telstra expects these investments combined to deliver mid-teens IRR, to reach per annum EBITDA contribution of ~\$200 million by FY26, and to have a payback period of approximately nine years.

There is no change to FY22 guidance, and Telstra plans to complete its on-market buyback in FY22 as previously advised. It also remains committed to deliver all of its T25 financial ambitions.

About Telstra InfraCo

Telstra InfraCo was created in 2018 as a standalone infrastructure business unit within Telstra to provide greater visibility to the market of the value of this business and create more optionality for the future.

As Telstra’s dedicated infrastructure business, Telstra InfraCo is reinventing the way Australia’s telecommunications infrastructure is built and managed and will open up new and easier ways for customers to access our infrastructure portfolio.

Telstra InfraCo is now accountable for 250,000 kilometres of fibre optic cable, 370,000 kilometres of ducts, masts, poles, and large structure, 10,000 exchanges, two data centres, and access to 400,000 kilometres of subsea cables and 8,000 mobile towers (owned by [Amplitel](#)).

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