



**Telstra Investor Day, November 7, 2008**

**Speech by Bruce Akhurst, CEO, Sensis**

Thanks Kim.

I'd like to share three points with you today.

Firstly, we've reached world's best for revenue growth, and we'll maintain strong growth despite economic uncertainty.

Secondly, our investments in customer value have driven growing usage, advertiser ROI and customer satisfaction.

And, finally, we're bringing Telstra's mediacomms vision to life. We're integrating – across Sensis, across Telstra and across the world – to create new horizons of value.

As you know, Sensis is in the local search business and is Telstra's advertising business. Our ability to bring buyers and sellers together at the point of purchase underpins a fantastic value proposition.

Every week there are 70 million uses of our print, online, voice, mobile and sat nav network. In the Yellow network alone, 11



million Australians use the products every month – 150 million times. It's powerful.

And over 90% of buyers using our directories go on to contact a business, with 70% of them making a purchase. With our products, users are not reading the news, watching Dancing with the Stars listening to music on the radio where advertising interrupts what they are doing.

Users of our products are choosing to view our advertisements – they have their wallet in one hand and their phone in the other.

That's what makes Sensis unique. Real buyers. Real leads. Real sales. Advertising with Sensis brings customers through the door and money in the bank. So we provide the life blood to businesses across Australia – customers – not just brand development and recall. That's why we continue to grow in tough economic times – to go without us is like disconnecting your power and gas – you'll end up out of business.

And that's why we have a huge impact on the economy. Our back of the envelope calculations suggest that the Yellow directory alone is responsible for something like 4% - 5% of Australia's total GDP.

This value proposition makes good sense to almost 600,000 advertisers every year.



And the cost makes good sense to them as well. A full page ad in the Sydney Yellow directory costs about the same as a full page ad in a Sydney daily newspaper.

Of course, the Sydney Yellow directory lasts for a year, while the newspaper only lasts a day.

This extraordinary value and customer support is the reason why Sensis is such a strong financial performer.

In FY08 Sensis total revenue grew by 8% at a 51.4% EBITDA margin with 7.2% in the directories business alone.

We can proudly say that we lead our industry for revenue growth. We're the only major global directories business to exceed 7% directories growth.

And we'll maintain that record. While analysts are predicting negative to low growth in the media sector, we're maintaining our guidance of mid single digit revenue and EBITDA growth.

We're confident of that because the Yellow metro canvass is in. I'm pleased to say we've performed even better than last year!



Over the last year, we've built on our value proposition by investing in our customers. The results have been spectacular, with growing usage, advertiser ROI and customer satisfaction.

Firstly, we invested in **usage**. Usage is core to our advertiser value proposition. More buyers using our services means more sales for our advertisers.

We invested in print directory circulation. We launched the new Yellow in the car directory. And we plan to deliver 750,000 books to new movers in FY09.

We invested in new 1234 content and grew 1234 call volumes by 24% YoY. Voice revenue grew by 17% while the rest of the world is declining.

We've worked with Telstra to make our mobile services free to browse. As a result, mobile usage of has doubled since February.

And we'll be launching a new Trading Post Mobile site later this year. Trading Post Mobile will take our new online auction capability into mobiles so you can bid and buy on the fly.

We're also integrating mobile, print and online to create new one-click ways for buyers and sellers to do business.



Send to mobile, which links Yellow Online and Whereis.com with your mobile is already being used about 20,000 times a month.

And we're now offering Telstra Mobile Codes to print advertisers. Foxtel just placed the first Telstra Mobile Code on the cover of the Sydney directory. Just photograph the code and you open up a mobile special offer and application capability on your mobile.

We've invested in online as well, with great results.

We upgraded our major sites to make them easier to use and more information rich. As a result, user satisfaction has grown by 6 per cent for White Pages Online and 5 per cent for Yellow Online.

We launched online auctions in Trading Post online. While it's early days, we're seeing strong growth in unique visitors, listings, bids and transaction sales.

We opened up Yellow Online listings so our advertisers can be found on search engines. That's already delivering a million more potential customers for our advertisers every month.

And we've made Yellow advertisers prominent in Whereis.com, ninemsn's MyLocal and, now, Google Maps.



As we announced on Monday, Sensis has entered a long term partnership with Google to explore cutting edge advertising opportunities for Australia's SMEs.

As a result, Yellow advertisers will be prominent in the rapidly growing Google Maps site. Our proposition is that wherever your customers are looking, whether they be in print, online, in mobiles, in 1234 voice, in sat nav and now search engines – they will find you through the one stop shop Yellow network.

If you advertise in Yellow Pages, for no extra charge, we now bring you even more value by helping Google users find you. This is clearly a great outcome, another win for our business and customers.

You advertise once and we get you out where the buyers are – across multiple channels and brands.

All the old arguments about print vs online and search vs directories become redundant.

Yellow gets you everywhere!

Let me show you what I mean.

***[Yellow Network video shown]***



As you can see, a simple ad with Yellow can give you access to millions of potential buyers and countless ways to engage them.

Let me explain with data. About 7 million Australians use the main Yellow directory every month. And over 4 million use the Yellow local directories each month.

Print is still the rock solid foundation of local search.

But, our Yellow network strategy helps advertisers reach out in digital media as well.

- 1.5m sat nav users in Whereis powered satellite navigation;
- 1.4m voice users through 1234 and Call Connect;
- 3.7m online users in Yellow Online and Whereis.com. Millions of these searches are coming from search engines like Google.com.au every month.
- And, when Google Maps with Yellow content comes on stream next year, there'll be up to 2.7m monthly users from Google Maps as well.



The net impact of this Yellow Network strategy is growing value for our advertisers, with the national reach of Yellow advertising growing by 20% in a year.

To bring this value home to our advertisers, our second investment has been in the **sales effectiveness and advertiser ROI** program.

We reinvigorated the way we tell and sell the Yellow value story and backed it up with extensive sales training and metered ads.

We're now metering over 5,000 print ads, and can tell you exactly how many calls these ads generated. Like the nine Sydney auto spares dealers who are generating almost 3,000 calls a month between them.

We coached our people in the principles of info-rich advertising and lifted our customer-facing time by 30%. This gave our Yellow sales and design staff the tools and time to help advertisers create more effective ads.

We focused on selling the value, not the deal. In just one sales cycle, we eliminated discounting. But, despite that, customer perceptions of value grew by 7 percentage points for Yellow print and 12 for Yellow Online.



And we established field marketing teams throughout Australia to improve our support for Yellow users, advertisers and their communities.

The results of these investments in usage and advertiser ROI are on the board. Print directory revenue grew by 5.4% compared to only 1.6% the year before. While new media hit \$400m and 20% of our total revenue for the first time.

In everything we're doing, Sensis is bringing Telstra's mediacomms vision to life.

Growing premium call revenue through 1234.

Mobile Codes, send to mobile and free to browse, which all leverage Telstra's leading mobile network.

Metered ads, which are underpinned by Telstra's infrastructure.

But this is just the beginning.

Let me tell you a little bit about MediaSmart.

Over the past five years, MediaSmart has become one of Australia's leading digital display advertising companies.



MediaSmart addresses over 60 per cent of Australia's online audience, covering over 70 sites and has an ability to serve up to four billion ads per month.

This is a business that is building digital display advertising growth in online, mobile, voice and even in-game.

In the last year, MediaSmart display advertising revenue grew by over 40% - almost twice as fast as the market.

And our ability to monetise Telstra assets has been the standout. BigPond online advertising revenue grew by 86%. While usage of MediaSmart's sites, which include Telstra managed sites like BigPond, AFL and NRL, grew from 7.3m to 8.5m in just one year.

Now we're taking the lead in mobile advertising. We've signed three of Australia top four media agencies and have already implemented campaigns for many of Australia's leading advertisers.

Many of these campaigns have delivered conversion to action rates of 20% - 40%, which is more than five times higher than online advertising.

And we're leveraging our ties with Telstra to deliver sophisticated user segmentation and behavioural targeting to our customers as well.



That means our advertisers will be able to personalise their campaigns with targeted ads and content. A travel company, for example, can configure their campaign to automatically offer Gold Coast holidays to young adults and Margaret River stays to professional families.

As you can see, our investments have delivered more than strong growth. They also enabled truly world class capabilities. Very few companies in the world have built the skills in directories, search, classifieds and display advertising that we have.

Combine that with our capabilities in sales, multi-channel advertising and syndication, transactions and targeting, and you have a business that is uniquely placed to drive long term growth.

Now we're transferring these capabilities into the Chinese market.

As Justin has already confirmed, the Chinese online market is a powerhouse of growth.

Our Chinese businesses are now positioned as #1 in real estate and auto and #2 in digital devices. These three sectors account for over 50% of the Chinese online advertising market and our position in them is driving exceptional growth.



Soufun unaudited US\$ revenues grew by 67% in FY08. And our new entries in auto and digital devices are integrating well and performing above targets.

We've built an online audience of almost 100m middle class Chinese. And this audience will keep growing – driven by an urban explosion that will see 350m more people living in Chinese cities by 2025.

It has been forecast that the Chinese property and auto markets will both grow by 50% CAGR to 2012.

And the number of Chinese citizens with a digital device will grow from 49% today to 86%, or 1.2bn by 2015. This growth will be catapulted by the launch of 3G in the next year.

And, on top of this, the Chinese online advertising market is forecast to grow by 47% CAGR to 2010.

So we have three pillars of growth in prime sectors of the world's largest online market. And we have a three-prong strategy to drive sustainable, diversified growth.



Firstly, we will explore further M&A opportunities to take leading positions in key markets which meet our stringent business model requirements of profitable and sustainable growth, high margins and strong cash flow production.

Secondly, we'll drive organic growth through vertical and market expansion. Examples, amongst many, include Soufun's geographic expansion which has now achieved a 100 city milestone, and a further phase of growth from opening up opportunities, such as home and auto finance and insurance and growing our retailer network, including online sales, in the digital device market.

And, thirdly, we will add the 'Telstra Sensis advantage' to these businesses. As I suggested, we have already begun transferring our world-class mediacomms capabilities. We are:

- Instituting sales management and excellence programs to improve sales performance;
- Leveraging our mobiles expertise to position our operation for the explosion of 3G that will occur in the 580m user Chinese mobile market next year;
- Exploring targeted, pay for performance display advertising business models. This will extend the potential audience for our display advertising from 8m today to almost 100m, making



Sensis one of the largest digital display ad networks in the world, and;

- Supporting this by leveraging our market-based management and behaviour targeting capabilities to build what we believe will be the one of the world's largest user and customer segment resources.

This is a high performing, world leading business with a great future. And, as you can see, our unique mediacomms capabilities underpin growth in just about every area of our business. Across Sensis, across Telstra and across the world.

We'll continue building this future growth story by:

- Investing in the accessibility, simplicity, quality and accountability of print for the millions of Australians who rely on it;
- Leveraging new media to create entirely new local search experiences that bring buyers and sellers together in exciting new ways;
- Extending our business into new horizons of growth like targeted display, mobile advertising, transactions and China.



- And, most importantly, multiplying the value we can offer Telstra users and investors by bringing mediacomms to life.

We're doing all of this today with incredible success. And we're going to keep doing it... *together*.