

## **Chairman's & CEO's Report 2015**

It has been a year of significant change and development at Bendigo Telco that has seen the company establish a platform for sustainable growth over the medium term. Against a backdrop of unrelenting change in the telecommunications industry your company has again produced strong results, delivering an after tax profit of \$1,126,650 for the 12 months ending June 30<sup>th</sup> 2015. Directors have declared a fully-franked dividend of 10.0 cents, making the full-year dividend a payment of 17.0 cents for the full financial year. Our average dividend yield over the past 5 years has been 10.57% fully franked.

**Some of the key changes at Bendigo Telco this year have been:**

- Significant structural changes that have enabled the company to become a truly independent telecommunications business.
- National roll-out of our key products and services – greatly expanding our potential sales opportunities.
- The hiring of two critical senior management staff – Jeff Jordan our CEO and Jason Sim our General Manager, Sales.
- The adoption of a new trading name of 'Bendigo Telco' for the business.
- The development of a new logo to support the name change.
- The opening of a sales office in Shepparton.
- Establishment of our own direct wholesale relationships with primary carriers including Telstra and AAPT.

These changes are designed to revitalize the business and position it for growth across all of our key markets.

### **Renewed Focus on Sales and Marketing**

The business has embarked on a new sales strategy, with a particular focus on our two key industries of Financial Services and Health. This renewed focus has already yielded significant new business. In the health sphere, Bendigo Telco was recently selected as the successful tenderer for the IT Services business of a key Regional Health Alliance. In the financial space the company has won a range of new business including significant Cloud Services contracts.

During the financial year Bendigo Telco also added business from many new customers, demonstrating our growing presence in regions outside of Bendigo.

## **Industry Trends**

Bendigo Telco is a key regional player in the telecommunications marketplace and is thus subject to the rapidly changing market forces that are at play in this arena. There are a number of important trends occurring that affect us. Firstly, there is a rapid move away from traditional fixed line telephone service delivered over the legacy copper infrastructure. Instead, our customers are asking us to deliver their voice service via their data service. This results in reduced costs for our customers, but results in more complex networks for BCT. The change does have the prospect of increasing our retained margin for these types of services. Another important development is the cost that the current NBN business model has for smaller telecommunications players as there is a relatively high fixed cost to connect to the NBN's network.

Here in Bendigo the NBN Co. decided earlier this year that a full roll-out of connectivity will not commence until approximately October 2016. Apart from the existing NBN Wireless currently being used on the outskirts of Bendigo, we are unlikely to see significant NBN use in the Bendigo CDB until sometime during 2017.

## **New Products**

As always, your company is looking for ways to innovate and lead in our marketplace. We have launched a number of important new products this year including OneCloud and our NBN Small Business Package.

OneCloud is an exciting development for BCT that allows our customers to connect to the Public Cloud via our well established Private Cloud services. For our customers this means that they can take full advantage of services such as Amazon's AWS or Microsoft's Azure Public Cloud without sacrificing the data security that is critical for their business. BCT has already had a number of significant sales of this technology including to companies in the financial and health markets.

The NBN Small Business package is a system that allows our customers to connect their existing PBX phone system direct to an NBN data service. The system has the potential to deliver significantly lower call costs while also providing access to very high speed data networking. BCT is expecting strong take-up of this offering in regions where the NBN has already been rolled out in the CBD district.

## **Contract Renewals**

BCT has now signed an important extension to the Bendigo Bank Data Centre contract that runs until 2017. Under this contract BCT provides the bank with critical hosting for their core banking services as well as a comprehensive disaster recovery environment. Many other significant contract renewals were affected during the period including ones with our major customer base.

## **Other Changes**

During the financial year we undertook a significant project to move all of the company's billing to a new billing platform. By the end of this financial year period we had moved all of our customers to the new billing system. This change will enable us increased flexibility in the creation of telecommunications products and reduce the overall cost of creating invoices for our customers.

Another important change this year has been the migration of all of our mobile customers to a new wholesale provider. This change was necessitated by the impending closure of the Telstra 2G network and our desire to deliver our customers with greater choice in mobile telephony.

### **Thank You**

As usual, I would like to thank the Bendigo Community for the support that they have continued to show us. In our turn we have supported several Community Enterprise groups whose members place their telecommunications services with us. Thank you also to our customers who have continued to show great faith in our business over the last year.

To our Board of Directors, I extend my thanks for your continued dedication in guiding this important Bendigo business, your breadth of experience and knowledge has been essential as we expand into new markets and products.

Lastly, thank you to our staff. It is through your continuing commitment to Bendigo Telco's '8 Star Customer service Promise' that we have managed to grow and prosper over the years. Your ability to put the interests of our customers first has been the cornerstone of our long-term success as a business.

Don Erskine

Chairman

Jeff Jordan

CEO