

TELSTRA CORPORATION LIMITED

INVESTMENT DOSSIER

GENERATED ON NOVEMBER 30, 2025

PREPARED FOR
INTERNAL REVIEW

POWERED BY VANTAGE INTELLIGENCE

Executive Summary

TELSTRA CORPORATION LIMITED

Overall Risk: MODERATE (47.0/100)

Overview

Telstra Corporation Limited presents a complex investment profile characterized by strong operational fundamentals overshadowed by significant financial distress indicators. Despite maintaining a substantial revenue base of \$22.7 billion and generating strong operating cash flows of \$7.32 billion, the company faces material going concern uncertainties identified by auditors and operates under a qualified audit opinion. The telecommunications giant possesses excellent intellectual property protection with a perfect IP strength score of 90/100, covering 50 patents and 50 trademarks, while maintaining low litigation risk at 15/100. However, the financial health assessment reveals a distressed status with a concerning health score of only 35/100, driven primarily by severe liquidity constraints and high leverage ratios. The company is actively pursuing its Connected Future 30 strategy and digital transformation initiatives, though execution risks remain elevated given the challenging market conditions and internal financial pressures.

Executive Deal Summary

NO-GO

Confidence: 85.0%

Deal Rationale

Telstra represents a potential distressed acquisition opportunity in the telecommunications sector with strong underlying fundamentals including \$22.7B revenue base and \$7.32B operating cash flow. The company's significant market presence and strong IP portfolio (90/100 strength score) could provide strategic value despite current financial distress.

Investment Thesis

- Strong revenue base of \$22.7 billion demonstrates significant market presence and customer relationships in telecommunications sector
- Robust operating cash flow of \$7.32 billion indicates underlying business generates substantial cash despite financial distress
- Exceptional IP portfolio strength (90/100) with 50 patents and 50 trademarks provides competitive moat and strategic value
- Low litigation risk (15/100) and zero active legal cases reduce regulatory and legal overhang concerns
- Distressed valuation opportunity with potential for significant upside if operational and financial issues can be resolved

Valuation Metrics

Implied Valuation Range	\$49.99B - \$61.10B
P/E Ratio	25.89

Deal Breakers

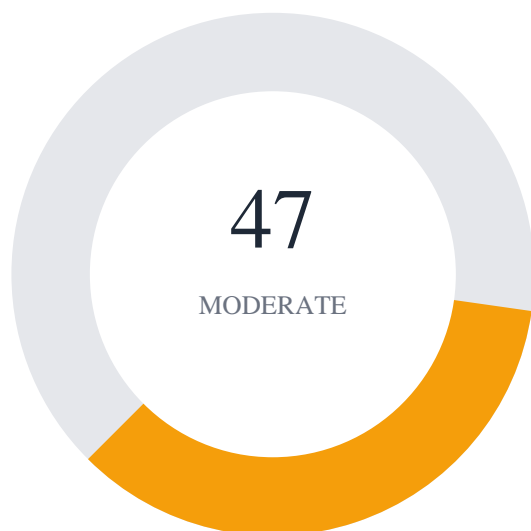
- Material going concern uncertainties identified by auditors indicating potential inability to continue operations
- Qualified audit opinion suggesting significant accounting or operational problems requiring extensive due diligence
- Critical liquidity crisis with current ratio of 0.56 creating immediate cash flow and working capital concerns
- High leverage with debt-to-assets ratio of 0.64 limiting financial flexibility and requiring potential debt restructuring

- High compliance risk (70/100) indicating potential regulatory issues in telecommunications sector

Recommendation Rationale

Despite strong underlying business fundamentals and cash generation, the combination of going concern warnings, qualified audit opinion, and severe liquidity constraints creates unacceptable execution risk. The high compliance risk and need for immediate capital injection make this unsuitable for most strategic acquirers without specialized distressed investment capabilities.

■ Executive Summary - Technology



RECOMMENDATION: NO-GO

\$0.0B

MARKET CAP

N/A

EMPLOYEES

Technology

SECTOR

N/A

FOUNDED

Deal Rationale

Telstra represents a potential distressed acquisition opportunity in the telecommunications sector with strong underlying fundamentals including \$22.7B revenue base and \$7.32B operating cash flow. The company's significant market presence and strong IP portfolio (90/100 strength score) could provide strategic value despite current financial distress.

■ ■ Risk Assessment

Risk Breakdown

Identified Red Flags

- GOING CONCERN WARNING: Material uncertainties about company's ability to continue operations identified by auditors
- QUALIFIED AUDIT OPINION: Significant issues in audit process indicating potential accounting or operational problems
- Critical liquidity crisis with current ratio of only 0.56 suggesting inability to meet short-term obligations
- High leverage with debt-to-assets ratio of 0.64 limiting financial flexibility
- Two key audit matters representing areas of significant operational or financial risk

Key Strengths

- Substantial revenue base of \$22.7 billion indicating strong market presence and customer base
- Positive net income of \$2.17 billion and strong operating cash flow of \$7.32 billion demonstrating core profitability
- Excellent IP protection with 90/100 strength score covering 50 patents and 50 trademarks
- Low litigation risk (15/100) with no active court cases or judgments
- Strong governance framework with performance-linked executive remuneration and 80/100 governance score

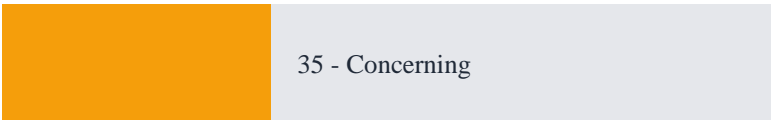
■ Key Findings

1. Material going concern uncertainties identified by auditors with qualified audit opinion indicating significant operational or accounting issues
2. Severe liquidity crisis with current ratio of 0.56 and high debt-to-assets ratio of 0.64 creating immediate financial stress
3. Strong operational performance with \$22.7B revenue, \$2.17B net income, and \$7.32B operating cash flow demonstrating underlying business viability
4. Excellent IP portfolio protection (90/100 score) with comprehensive patent and trademark coverage providing competitive moats
5. High compliance risk (70/100) and two key audit matters indicating significant governance and operational risk areas

Recommendations

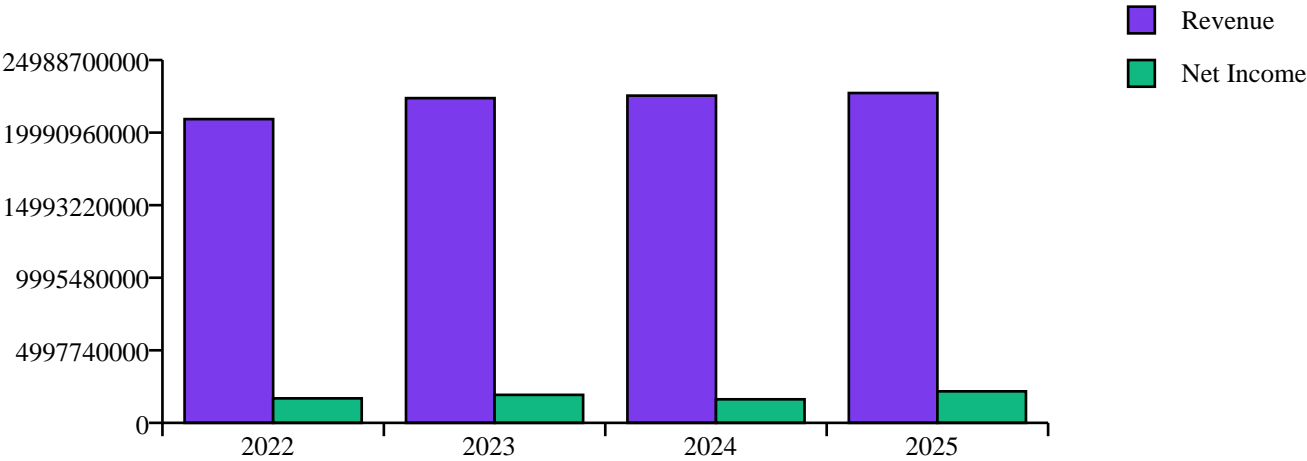
1. Conduct immediate deep-dive financial analysis focusing on liquidity management and debt restructuring options to address going concern issues
2. Engage with auditors to understand specific qualified opinion matters and develop remediation timeline
3. Evaluate asset monetization opportunities including IP licensing to improve short-term liquidity position
4. Assess Connected Future 30 strategy execution timeline and consider prioritizing cash-generative initiatives
5. Implement enhanced financial monitoring and reporting systems to address compliance risks and key audit matters

Financial Intelligence



Health Assessment	distressed
Health Score	35.0/100

Financial Performance Trends



Financial Metrics Dashboard

Profitability

EBITDA Margin	37.8%
Net Profit Margin	9.6%
Return on Equity (ROE)	13.3%
Return on Assets (ROA)	4.8%

Liquidity

Current Ratio	0.56
Working Capital Days	-81

Solvency

Debt-to-Equity	1.76
Debt-to-Assets	0.64

Efficiency

Asset Turnover	0.51
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Segment Performance

Segment	Revenue (AUD million)	Result
Telstra Consumer	10,862.0	0.0
Telstra Business	2,867.0	0.0
Telstra Enterprise Australia	4,485.0	0.0
Telstra International	2,587.0	0.0
Networks, IT and Product	434.0	0.0
Telstra InfraCo	4,159.0	0.0
All Other	640.0	0.0

Contingent Liabilities

- **Other:** Cash EBIT reflects Underlying trade marks are the property of their
- **Other:** EBITDAaL less business-as-usual capex respective owners
- **Other:** Telstra assumes no obligation to update
- **Other:** Cash EBIT less finance costs, tax
- **Other:** Cash EPS reflects Cash

Financial Risks

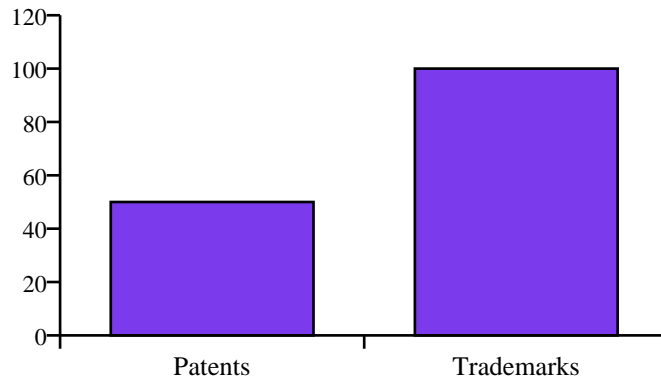
- Material going concern uncertainties identified by auditors
- Qualified audit opinion indicating significant accounting or operational issues
- Very low current ratio of 0.56 indicating severe liquidity constraints
- High debt-to-assets ratio of 0.64 showing significant leverage
- Two key audit matters identified representing areas of significant risk

Financial Strengths

- Strong revenue base of \$22.7 billion indicating significant market presence

- Positive net income of \$2.17 billion demonstrating profitability
- Strong operating cash flow of \$7.32 billion showing good cash generation
- Substantial asset base of \$45 billion providing operational foundation
- No court judgments indicating absence of major legal issues

■ IP Portfolio Intelligence



Total Patents	50
Total Trademarks	100
Total Designs	0
Strength Score	90.0/100

Sample Patents

- 2022277024: APPARATUS, SYSTEM AND METHOD FOR MONITORING A PIT LID
- 2021901472: Apparatus, system and method for monitoring a pit lid
- 2021203896: Resource management in telecommunications networks

Sample Trademarks (100 total)

- **INTELEX** (#97273) *(Removed)*
Filed: 1948-12-01
- **TRANSETTE** (#178989) *(Removed)*
Filed: 1963-03-06
- **TELSTAR** (#188133) *(Removed)*
Filed: 1964-06-08
- **HORIZON** (#326144) *(Removed)*
Filed: 1979-01-30
- **YELLOW PAGES** (#327524) *(Removed)*
Filed: 1979-02-01
- **OTC** (#328260) *(Removed)*
Filed: 1979-02-05

- **DIAL A HOROSCOPE ARIES AQUARIUS CANCER CAPRICORN GEMINI LEO LIBRA PISCES SAGITTARIUS SCORPIO TAURUS VIRGO** (#332700) *(Removed)*
Filed: 1979-05-11
- **BEEPA A** (#337263) *(Removed)*
Filed: 1979-08-30
- **BEEPA** (#337264) *(Removed)*
Filed: 1979-08-30
- **BEEP A** (#337266) *(Removed)*
Filed: 1979-08-30
- **SEA-TEX** (#340956) *(Removed)*
Filed: 1979-12-06
- **NETPLEX** (#350424) *(Removed)*
Filed: 1980-09-02
- **NETSTREAM** (#350425) *(Removed)*
Filed: 1980-09-02
- **AUSTPAC** (#350426) *(Removed)*
Filed: 1980-09-02
- **FEATHERSET** (#350427) *(Removed)*
Filed: 1980-09-02

Legal Intelligence

Total Cases	0
Active Cases	0
Cases as Plaintiff	0
Cases as Defendant	0
Litigation Risk	15.0/100
Compliance Risk	70.0/100

Regulatory Actions

- ACCC - court_proceeding (2021-12-16): ACCC alleged Telstra made false or misleading representations to consumers about NBN services, inclu
- ACCC - court_proceeding (2020-06-12): ACCC took action against Telstra for unconscionable conduct in selling mobile phone contracts to Ind
- ACCC - enforceable_undertaking (2019-05-29): Telstra provided enforceable undertaking regarding third-party billing practices and premium SMS ser
- ACCC - court_proceeding (2018-12-19): ACCC alleged Telstra engaged in unconscionable conduct in relation to post-paid mobile services sold

■ Market Intelligence

Reputation Score	55.0/100
Reputation Assessment	Fair
Overall Sentiment	Neutral
News Articles	0
Sentiment Score	0.0/100

Key Market Themes

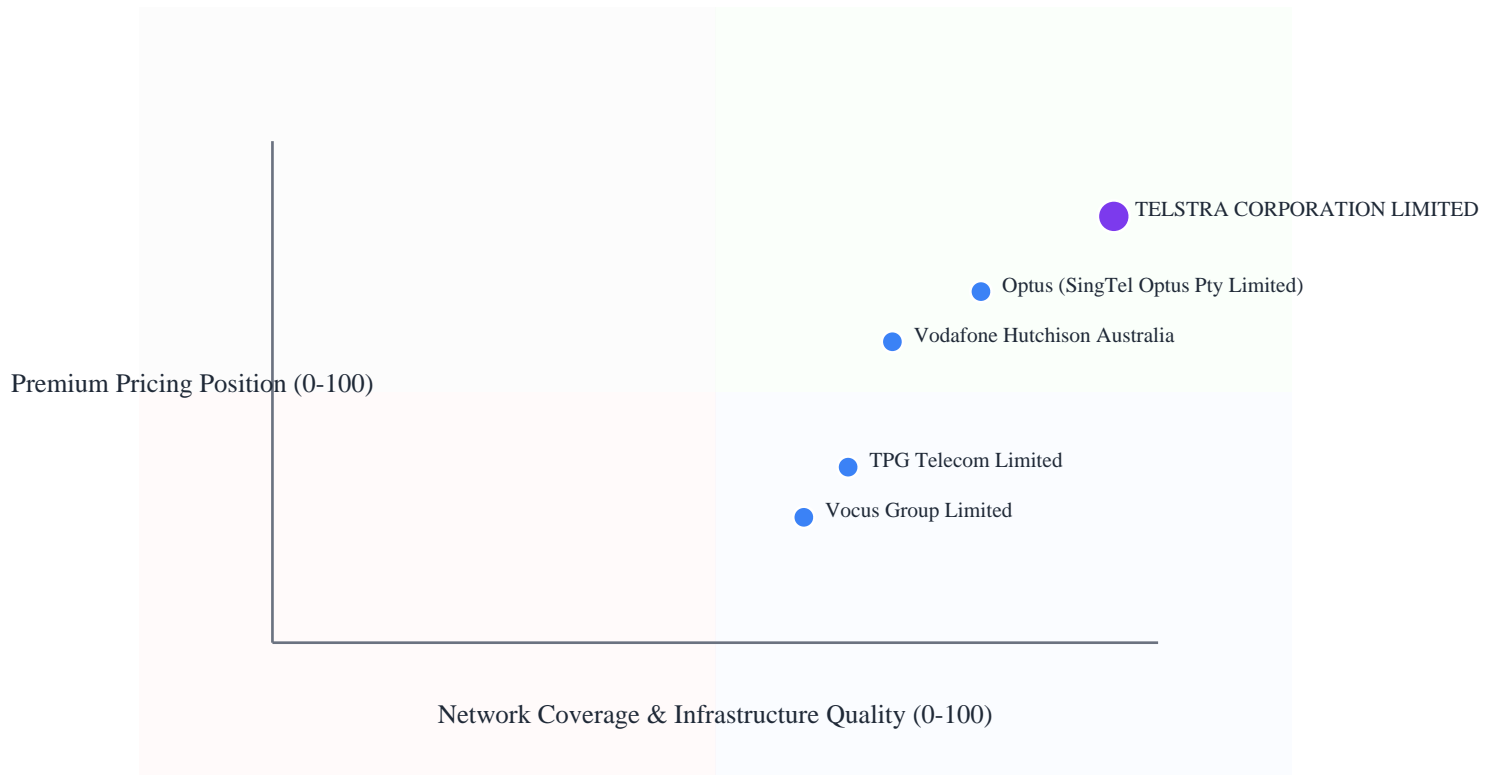
- **Market Conditions:** The company operates in challenging market conditions including general economic conditions in Australia, competition in telecommunications markets, continuing technological changes in the telecommunications industry, cyber and data security risks, geopolitical environment impacts including sanctions and trade controls, and supply chain impacts.
- **Competitive Position:** Telstra is implementing its Connected Future 30 strategy to maintain competitive position, though faces competition in the markets in which it operates and risks associated with strategic execution and transformation programs.
- **Strategic:** Connected Future 30 strategy implementation
- **Strategic:** Digital operating model transformation
- **Strategic:** Transformation programs with scale and interdependencies

■ Competitor Landscape

Direct Competitors

Competitor	Market Cap	Revenue	Key Strengths
Optus (SingTel Optus Pty Limited)	~\$15B (estimated as part of Singtel)	\$8.5B AUD	<ul style="list-style-type: none"> • Strong 5G network rollout and coverage • Competitive pricing strategies
Vodafone Hutchison Australia	~\$3B (estimated)	\$3.8B AUD	<ul style="list-style-type: none"> • Competitive mobile plans and pricing • Strong brand recognition
TPG Telecom Limited	\$8.2B AUD	\$5.2B AUD	<ul style="list-style-type: none"> • Aggressive pricing and value propositions • Strong NBN and broadband market position
Vocus Group Limited	~\$3.5B (estimated)	\$2.1B AUD	<ul style="list-style-type: none"> • Extensive fiber network infrastructure • Strong enterprise and government customer base

Market Positioning



No recent news articles found for this company.

Corporate Governance Analysis

Governance Score: 80.0/100

Governance Strengths

- Executive remuneration fully linked to performance

Governance Risks

- 2 High-Risk Key Audit Matters identified

Corporate Governance

Total Directors	8
Independent Directors	7
Independence %	87.5%

Board Committees

- **Audit Committee:** 3 members, Chair: David Lamont
- **People and Remuneration Committee:** 4 members, Chair: Elana Rubin AM
- **Risk and Sustainability Committee:** 4 members, Chair: Maxine Brenner
- **Nomination Committee:** 7 members, Chair: Craig W Dunn

Governance Score: 90.0/100

Risk Management Framework

Risk management overseen by Risk and Sustainability Committee with risk and internal audit capabilities managed by CFO and Strategy & Finance Group Executive. Group General Counsel responsible for managing legal and regulatory risk and enterprise risk and compliance frameworks.

Executive Remuneration

Key Management Personnel

Name	Position	Total Comp.
Vicki Brady	Chief Executive Officer & Managing Director	\$2,392,547
Michael Ackland	Chief Financial Officer and Group Executive Strategy and Finance	\$1,252,547
Kim Krogh Andersen	Group Executive Product & Technology	\$1,175,000
Oliver Camplin-Warner	Group Executive Telstra Enterprise	\$1,114,000
Amanda Hutton	Group Executive Telstra Business	\$1,114,000
Brendon Riley	Group Executive & CEO Telstra InfraCo	\$1,403,752
Shailin Sehgal	Group Executive Global Networks & Technology	\$1,114,000
Kathryn van der Merwe	Group Executive People, Culture & Capability	\$1,051,302
Brad Whitcomb	Group Executive Telstra Consumer	\$1,200,000

Director Fees

Pay-for-Performance Alignment

The EVP (Executive Variable Pay) program links executive remuneration to performance through a scorecard outcome based on financial measures (60% weighting including Fixed Core Cost Reduction, Underlying EBITDA, Free Cash Flow, and Underlying ROIC), customer measures (25% weighting including Episode NPS and RepTrak), and strategic measures (15% weighting including Responsible Business emissions reduction, Digital Leadership API-first products, and People Engagement). Individual EVP outcomes for ...

Key Audit Matters

Audit Opinion: **UNQUALIFIED**

Going Concern Assessment

Status: **Going Concern Appropriate**

No material uncertainties identified

Areas of Significant Risk

Revenue recognition (HIGH Risk)

The Group exercises judgement in the application of AASB 15 Revenue from Contracts with Customers in accounting for large and complex Telstra Enterprise Australia (TEA) contracts with customers which are usually bespoke in nature as they deliver tailored solutions and services. The process for reven...

Capitalisation of assets, transfer from assets under construction and determination of useful lives (HIGH Risk)

The determination of the carrying amount of assets, including property, plant and equipment and software intangible assets, requires judgement to be exercised by management, particularly in: the decision to capitalise or expense costs; the assessment of useful lives; and the timeliness of the transf...

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