

# TELSTRA GROUP LIMITED

ASX:TLS

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COMPANY INTELLIGENCE REPORT

February 09, 2026

CONFIDENTIAL

Prepared by Vantage Intelligence | [vantage.expert](#)

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## Executive Summary

### TELSTRA GROUP LIMITED

**Overall Risk: HIGH (66.7/100)**

#### Overview

Telstra Group presents a complex investment profile with significant operational strengths overshadowed by critical governance and financial reporting concerns. Despite generating strong revenue of \$22.7 billion and positive net income of \$2.17 billion with robust operating cash flow of \$7.32 billion, the company faces material uncertainties regarding its going concern status and has received a qualified audit opinion. The telecommunications giant maintains a substantial market capitalization of \$54.9B but operates with a concerning financial health score of 25.0/100, indicating distressed conditions. The company's IP portfolio shows complete absence of registered patents, trademarks, and designs, representing a significant strategic vulnerability for a technology-focused telecommunications provider.

## Executive Deal Summary

**NO-GO**

Confidence: 85.0%

### Deal Rationale

Telstra represents Australia's dominant telecommunications infrastructure with \$22.7B revenue and strong \$7.32B operating cash flow, offering potential value creation through operational turnaround and market position consolidation. Despite current distressed status, the company's essential utility nature and substantial market presence create compelling strategic value for infrastructure-focused acquirers.

### Investment Thesis

- Dominant market position in critical telecommunications infrastructure with \$22.7B revenue base provides defensive moat and pricing power.
- Strong cash generation capability of \$7.32B operating cash flow demonstrates underlying business resilience despite current challenges.
- Potential turnaround opportunity with \$54.9B market cap trading at distressed valuation relative to asset base and market position.
- Essential utility nature provides recession-resistant revenue streams and regulatory protection in core markets.
- 5G network rollout and digital transformation trends create long-term growth catalysts for infrastructure monetization.

### Valuation Metrics

Metric	Value
Implied Valuation Range	\$49.43B - \$60.42B
P/E Ratio	25.68

### Deal Breakers

- Going concern qualification from auditors indicating fundamental viability questions
- Qualified audit opinion suggesting material financial reporting reliability issues
- Complex revenue recognition problems in enterprise contracts affecting earnings quality
- Outstanding court judgment creating unknown contingent liabilities

- Asset capitalization concerns potentially overstating balance sheet strength

## Scenario Analysis

<b>Bull Case</b>	Successful resolution of audit issues reveals underlying business strength, with new management executing operational turnaround leveraging dominant infrastructure position. 5G monetization and enterprise digital services drive margin expansion, while regulatory support and essential utility status provide stable cash flows for debt service and shareholder returns.
<b>Base Case</b>	Company addresses immediate going concern issues through asset sales or refinancing but continues facing margin pressure from competition and regulatory constraints. Revenue stabilizes around current levels with modest growth from 5G adoption, while operational efficiency improvements partially offset competitive headwinds in consumer markets.
<b>Bear Case</b>	Going concern issues escalate leading to forced asset sales at distressed valuations or potential administration proceedings. Complex revenue recognition problems trigger regulatory investigation and customer contract renegotiations, while competitive pressure from infrastructure competitors and NBN policy changes permanently impair profitability and market position.

## Investor Suitability

Turnaround | Speculative | Value

## Comparable Peers

- TPG: TPG Telecom Limited
- VOC: Vocus Group Limited
- MFG: Magellan Financial Group Limited
- SIQ: Smartgroup Corporation Limited
- NEC: Nine Entertainment Co Holdings Limited

## Recommendation Rationale

Despite strong market position and cash flows, the combination of going concern warnings, qualified audit opinion, and multiple financial reporting red flags creates unacceptable execution risk for any transaction. The fundamental uncertainty around financial statement reliability and operational viability outweighs the strategic value proposition.

## Executive Summary - Technology



#ea580c Risk  
Risk Score: 67/100

**RECOMMENDATION: NO-GO**

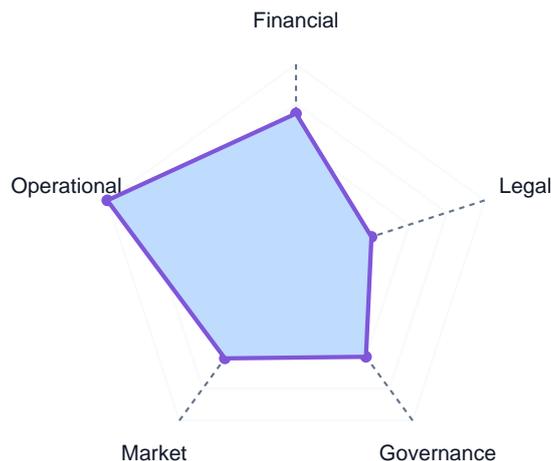
<b>AUD \$54.9B</b>	<b>30,553</b>
MARKET CAP	EMPLOYEES
<b>Technology</b>	<b>N/A</b>
SECTOR	FOUNDED

### Strategic Rationale

Telstra represents Australia's dominant telecommunications infrastructure with \$22.7B revenue and strong \$7.32B operating cash flow, offering potential value creation through operational turnaround and market position consolidation. Despite current distressed status, the company's essential utility nature and substantial market presence create compelling strategic value for infrastructure-focused acquirers.

# Risk Assessment

## Risk Breakdown



Category	Risk Score	Level
Financial	75.0/100	CRITICAL
Legal	40.0/100	MODERATE
Governance	60.0/100	HIGH
Market	61.0/100	HIGH
Operational	100.0/100	CRITICAL
Overall	66.7/100	HIGH

### Identified Red Flags

- GOING CONCERN WARNING: Material uncertainties identified by auditors regarding company's ability to continue operations
- QUALIFIED AUDIT OPINION: Significant audit issues identified affecting financial statement reliability
- Complex revenue recognition issues in enterprise contracts flagged as key audit matter
- Asset capitalization and useful life determination concerns identified by auditors
- Court judgment outstanding against the company indicating potential legal liabilities

- Complete absence of IP portfolio protection in technology-dependent telecommunications sector

## Key Strengths

- Strong revenue base of \$22.7 billion indicating significant market presence in telecommunications sector
- Positive net income of \$2.17 billion demonstrating underlying profitability
- Robust operating cash flow of \$7.32 billion showing strong cash generation capabilities
- Reasonable profit margin of approximately 9.6% indicating operational efficiency
- Connected Future 30 strategy implementation for digital transformation and market positioning

## Key Findings

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1. Material going concern uncertainties identified by auditors despite \$22.7 billion revenue and \$2.17 billion net income
2. Qualified audit opinion with complex revenue recognition challenges in large enterprise contracts and asset valuation uncertainties
3. Complete absence of IP protection with 0 patents, 0 trademarks, and 0 designs registered
4. Strong cash generation capability with \$7.32 billion operating cash flow and 9.6% profit margin
5. Financial health assessment rated as distressed with health score of 25.0/100 despite \$54.9B market cap

## Recommendations

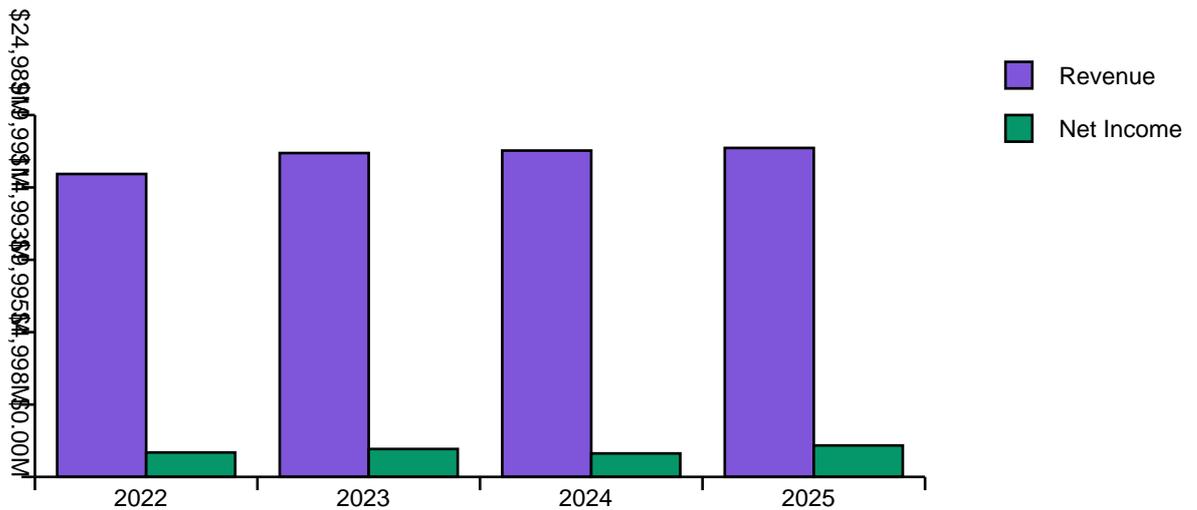
1. Immediately address going concern uncertainties and work with auditors to resolve qualified opinion issues
2. Develop comprehensive IP protection strategy including patent filings and trademark registrations for core telecommunications technologies
3. Implement enhanced revenue recognition controls and processes to address audit concerns in enterprise contracts
4. Strengthen asset valuation and capitalization procedures to address auditor-identified uncertainties
5. Resolve outstanding court judgment and assess potential legal liability exposure across all active cases

# Financial Intelligence



Metric	Value
Health Assessment	distressed
Health Score	25.0/100

## Financial Performance Trends



## Financial Metrics Dashboard

### Profitability

Metric	Value
Gross Margin	63.9%
EBITDA Margin	37.9%

<b>Net Profit Margin</b>	9.6%
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## Efficiency

## Segment Performance

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

## Contingent Liabilities

Contingent liabilities are potential future obligations that may arise from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of uncertain future events. These represent potential financial exposures that are not recognized on the balance sheet but are disclosed in the notes to financial statements.

Metric	Value
<b>Number of Liabilities</b>	4
<b>By Category</b>	Other: 4

### Detailed Liabilities:

- Cash earnings Telstra assumes no obligation to update reflects Cash EBIT less finance costs, tax any forward-looking statements, and to and minorities.
- Since completing this a network for which demand for data has transform the way we work, we're transition, we have seen improvements to tripled in the last five years, and which equipping our people for the future network speed, capacity, and reliability now offers satellite messaging when through our Data & AI Academy and by across our network.
- networks, including the reliability and positive outcomes for our customers and security of our services, they are not shareholders.

- As cyber threats continue to grow, we In FY25, the Board implemented a revised expanded our Scam Indicator initiative committee structure, disbanding the with the Commonwealth Bank to include Audit & Risk Committee and establishing landlines and expanded the offering with two distinct committees: the Audit Fraud Indicator which helps detect Committee and the Risk & Sustainability identity theft.

## Audit Highlights

**Auditor:** Telstra Group

**Opinion:** Qualified

- Revenue recognition: 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 revenue recognition for all significant revenue streams, including the accuracy and timing of revenue recorded and related balance sheet amounts is dependent on a number of legacy and new billing systems, interfaces, IT tools, IT systems, automated and manual controls. There is complexity within the billing systems due to technology transformation, multiple internal and outsourced arrangements, the volume of data and revenue recognition data rules.
- Capitalisation of assets, transfer from assets under construction and determination of useful lives: 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 transfer from assets under construction to commence depreciation/amortisation. Changes in these judgements can have a significant impact on the results of the Group.

## Legal Intelligence

Metric	Value
Total Cases	2
Active Cases	1
Cases as Plaintiff	0
Cases as Defendant	0
Regulatory Actions	2
Litigation Risk	30.0/100
Compliance Risk	50.0/100

### Regulatory Actions

- ASIC** - enforceable\_undertaking (2021-06-30):  
 ASIC accepted an enforceable undertaking from Telstra Corporation Limited in relation to its compliance with the Telecommunications Consumer Protections Code.  
*Outcome:* Telstra agreed to implement a compliance program and make a \$50,000 contribution to the Financial Counselling Foundation.  
*Penalty:* AUD \$50,000
- ACCC** - court\_proceeding (2020-06-26):  
 The ACCC instituted proceedings against Telstra Corporation Limited for alleged misleading representations about the performance of its 3G mobile network.  
*Outcome:* The matter was settled with Telstra admitting liability and agreeing to pay a \$50 million penalty.  
*Penalty:* AUD \$50.0M

### Court Cases Summary

Total of 2 court case(s) identified. 1 case(s) are currently active.

- NSWSC - Yufeng Investment Group (Australia) Pty Ltd v Guo [2026] NSWCA 3 [[2026] NSWCA 3] - Status: active
- NSWSC - The Star Entertainment Sydney Properties Pty Ltd v Buildcorp Group Pty Ltd trading as "Buildcorp Interiors" [2026] NSWSC 27 [[2026] NSWSC 27] - Status: judgment

## Market Intelligence

<b>Reputation Score</b>	<b>39.0/100</b>
<b>Reputation Assessment</b>	Poor
<b>Overall Sentiment</b>	Neutral
<b>News Articles</b>	1
<b>Sentiment Score</b>	0.0/1.0

### Forward-Looking Summary

Operations: Telstra delivered strong financial performance in FY25 with NPAT and Underlying NPAT of \$2.3B, EBITDA and Underlying EBITDA of \$8.6B on a guidance basis, and maintained A-/A2 credit rating from S&P; Global Ratings and Moody's Market: Operating in competitive telecommunications markets in Australia with continuing growth opportunities, facing general economic conditions, technological changes in the telecommunications industry, and geopolitical environment impacts including sanctions and supply chain disruptions Outlook: Financial targets and growth ambitions across portfolio to FY30 in connection with Connected Future 30 strategy (specific targets not detailed in provided section) Priorities: Strategic execution of transformation programs, Digital operating model implementation

### Key Market Themes

- **Market Conditions:** Operating in competitive telecommunications markets in Australia with continuing growth opportunities, facing general economic conditions, technological changes in the telecommunications industry, and geopolitical environment impacts including sanctions and supply chain disruptions
- **Competitive Position:** Implementing Connected Future 30 strategy to strengthen market position through digital transformation and strategic execution across transformation programs
- **Strategic:** Connected Future 30 strategy implementation
- **Strategic:** Digital operating model transformation
- **Strategic:** Transformation programs with scale and interdependencies

### Operations Review (Annual Report)

**Business Performance:** Telstra delivered strong financial performance in FY25 with NPAT and Underlying NPAT of \$2.3B, EBITDA and Underlying EBITDA of \$8.6B on a guidance basis, and maintained A-/A2 credit rating from S&P; Global Ratings and Moody's

**Market Conditions:** Operating in competitive telecommunications markets in Australia with continuing growth opportunities, facing general economic conditions, technological changes in the telecommunications industry, and geopolitical environment impacts including sanctions and supply chain disruptions

**Competitive Position:** Implementing Connected Future 30 strategy to strengthen market position through digital transformation and strategic execution across transformation programs

**Segment Performance:** Segment performance details not provided in the available text - referenced as available in full year results and operations review on page 18

#### Operational Achievements

- Returned over \$2.1B to shareholders via dividends
- Completed \$750M on-market share buy-back with \$1B announced
- Maintained strong credit rating A-/A2 from major rating agencies
- Progressing Connected Future 30 strategy implementation

#### Operational Challenges

- Strategic execution risks associated with scale and interdependencies of transformation programs
- Financial performance risks from economic conditions and geopolitical challenges
- Customer response risks to product changes and digital operating model transition
- Disruption risks from changes in working methods and digital transformation

#### Key Metrics

- NPAT and Underlying NPAT: \$2.3B
- EBITDA and Underlying EBITDA: \$8.6B
- Earnings per share: 18.9 cents
- Underlying EPS: 19.1 cents

## Future Developments & Strategy

#### Strategic Initiatives

- Connected Future 30 strategy implementation
- Digital operating model transformation
- Transformation programs with scale and interdependencies

#### Growth Strategies

- Connected Future 30 strategy with targets to FY30
- Digital operating model transition
- Underlying cash generation optimization

#### Product Launches

- Changes in products and customer interaction methods as part of digital transformation

**Market Expansion:** Not specified in provided text

**Capital Investments:** Strategic investment programs (specific amounts not detailed in provided section)

**Expected Performance:** Financial targets and growth ambitions across portfolio to FY30 in connection with Connected Future 30 strategy (specific targets not detailed in provided section)

#### Key Priorities

- Strategic execution of transformation programs
- Digital operating model implementation

- Realizing planned benefits, cost savings and growth opportunities
- Managing climate and nature impacts

## ESG & Sustainability

**ESG Score:** Moderate to Strong - Company demonstrates structured approach to ESG with dedicated sustainability reporting, climate risk integration into business strategy, governance oversight, and alignment with international standards, though limited quantitative disclosures in this section

**Environment:** The report references climate and nature initiatives with a dedicated 'Acting on climate and nature' section. Environmental risks include physical impacts of climate change on assets, service continuity, supply chain reliability, energy resilience and electricity grid decarbonisation.

**Emissions:** SCOPE1: Not disclosed in this section | SCOPE2: Not disclosed in this section | SCOPE3: References forecast supply chain emissions and third party environmental targets that impact environmental modelling, but specific data not provided | Targets: Not specifically disclosed in this section, though references environmental modelling and third party contractual environmental targets

**Social:** References Modern Slavery Act Statement for supply chain risk management. Mentions workforce through People and Remuneration Committee and senior management team disclosures.

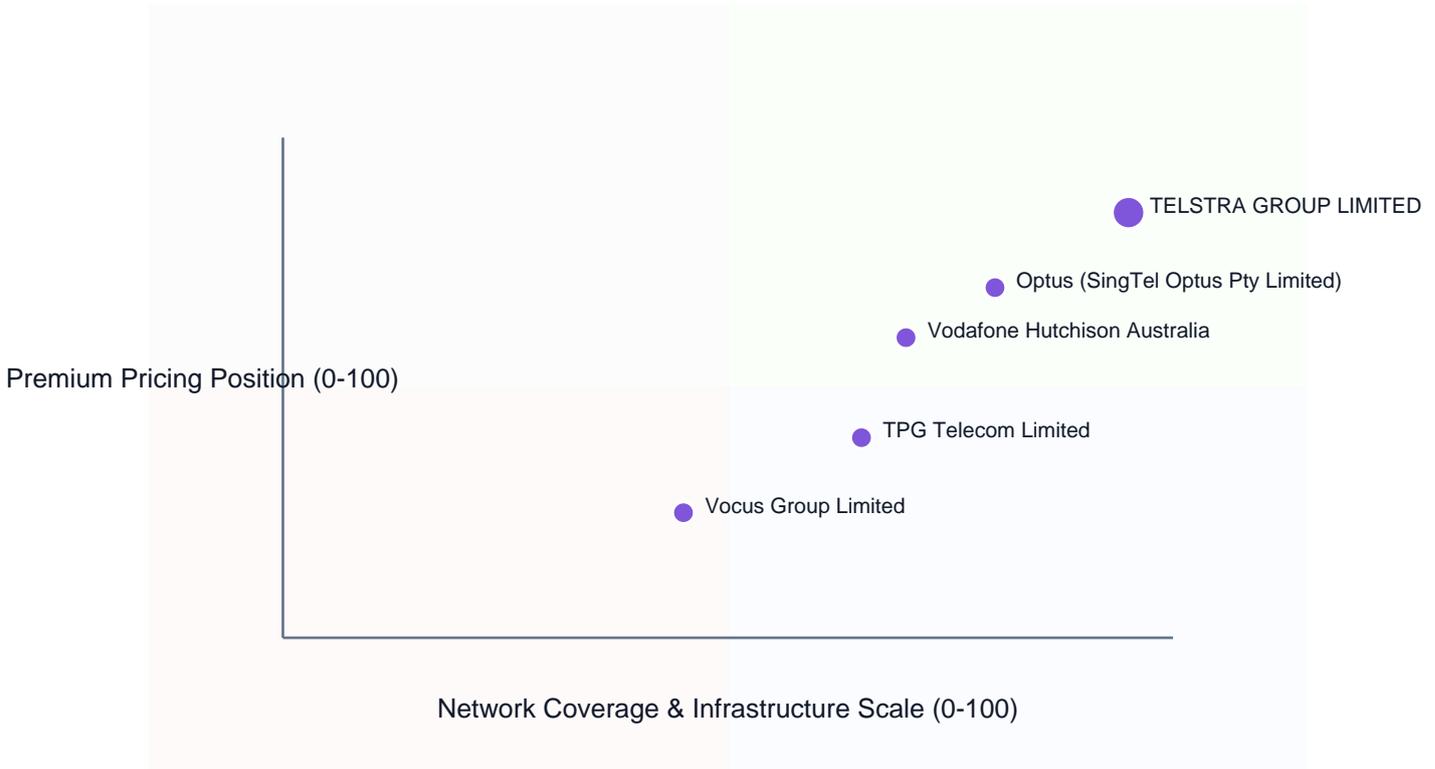
**Governance:** Strong governance framework with dedicated Corporate Governance Statement, People and Remuneration Committee, Board oversight of material risks including ESG factors, and comprehensive sustainability reporting aligned with ISSB IFRS S2 and TNFD recommendations.

## 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"> <li>• Strong 5G network rollout and coverage</li> <li>• Competitive pricing strategies</li> </ul>
Vodafone Hutchison Australia	~\$3B (estimated)	\$3.8B AUD	<ul style="list-style-type: none"> <li>• Competitive mobile plans and pricing</li> <li>• Strong brand recognition</li> </ul>
TPG Telecom Limited	\$8.2B AUD	\$5.1B AUD	<ul style="list-style-type: none"> <li>• Extensive fiber network infrastructure</li> <li>• Strong position in business and wholesale markets</li> </ul>
Vocus Group Limited	~\$3.5B (at acquisition)	\$2.1B AUD	<ul style="list-style-type: none"> <li>• Extensive fiber optic network infrastructure</li> <li>• Strong wholesale and enterprise focus</li> </ul>

### Market Positioning



## Recent Business & Market News

### AFR interim profit season calendar and results 2026

afr • 2026-02-08

# Ownership Intelligence

## Board Snapshot

Directors captured: 1

Name	Position	Independence	Committees
Craig Dunn Vicki Brady	balance sheet and settings consistent Chair CEO	Not disclosed	N/A

Source: Annual Report

# Corporate Governance Analysis

**Governance Score: 40.0/100**

## Key Audit Matters

Key Audit Matters (KAMs) are areas of the financial statements that, in the auditor's judgment, required significant attention during the audit. These represent areas of higher risk, complexity, or significant management judgment. The presence of KAMs does not indicate a problem, but rather areas where the auditor focused additional effort.

Total: 2 • High: 2

### Revenue recognition (HIGH Risk)

Complex revenue recognition for large and bespoke Telstra Enterprise Australia (TEA) contracts requiring significant judgement under AASB 15. Complexity arises from multiple legacy and new billing systems, technology transformation, outsourced arrangements, and high data volumes with intricate revenue recognition rules.

*Risk Type:* Financial

**Auditor Response:** Not explicitly detailed in provided data - typically would involve testing contract terms, validating system controls, substantive testing of revenue transactions, and assessment of management's judgements in contract accounting.

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

Significant management judgement required in determining carrying amounts of property, plant and equipment and software intangible assets, including capitalisation vs expense decisions, useful life assessments, and timing of transfers from assets under construction to commence depreciation/amortisation.

*Risk Type:* Financial

**Auditor Response:** Not explicitly detailed in provided data - typically would involve testing capitalisation criteria, reviewing useful life assessments, validating transfer timing from construction to operational assets, and testing depreciation/amortisation calculations.

## Governance Risks

- *2 High-Risk Key Audit Matters identified*
- *Revenue recognition*
- *Capitalisation of assets, transfer from assets under construction and determination of useful lives*
- *Qualified Audit Opinion - Major Governance Issue*

# Management Strategy & Outlook

## Management Discussion & Analysis

### Operations Review

**Business Performance:** Telstra delivered strong financial performance in FY25 with NPAT and Underlying NPAT of \$2.3B, EBITDA and Underlying EBITDA of \$8.6B on a guidance basis, and maintained A-/A2 credit rating from S&P; Global Ratings and Moody's

**Segment Performance:** Segment performance details not provided in the available text - referenced as available in full year results and operations review on page 18

### Future Developments & Outlook

## Corporate Governance

**Governance Score: 88.0/100**

### Board Composition

<b>Total Directors</b>	8
<b>Independent Directors</b>	7
<b>Non-Independent Directors</b>	1
<b>Independence %</b>	87.5%

### Board Committees

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

### Risk Management Framework

- Lyndall Stoyles as Group General Counsel and Group Executive Sustainability, External Affairs, Legal, Risk & Compliance is responsible for managing enterprise risk and compliance frameworks.
- Her team manages legal and regulatory risk including providing legal and regulatory advice to Telstra's Board and CEO, and delivers sustainability programs.
- The risk management function is overseen at the executive level through dedicated risk and compliance frameworks.

### Internal Controls

Michael Ackland as Chief Financial Officer oversees internal audit capabilities and is responsible for guiding the company's financial performance, reporting and progress against its corporate strategy, ensuring the delivery of long-term shareholder value. The internal audit function operates under the oversight of the CFO to ensure proper internal controls and governance.

### ASX Corporate Governance Compliance

Ming Long AM is a member of the ASIC Corporate Governance Consultative Panel, indicating engagement with corporate governance standards. The board structure includes appropriate committees (Audit, Risk and Sustainability, People and Remuneration, and Nomination) which aligns with ASX Corporate Governance Council recommendations.

## 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 revenue recognition for all significant revenue streams, including the accuracy and timing of revenue recorded and related balance sheet amounts is dependent on a number of legacy and new billing systems, interfaces, IT tools, IT systems, automated and manual controls. There is complexity within the billing systems due to technology transformation, multiple internal and outsourced arrangements, the volume of data and revenue recognition data rules.

#### 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 transfer from assets under construction to commence depreciation/amortisation. Changes in these judgements can have a significant impact on the results of the Group.

## Disclaimer

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This due diligence report was generated by the Vanguard Due Diligence Platform using artificial intelligence and automated data gathering. The information contained in this report is for informational purposes only and should not be considered as financial, legal, or professional advice.

Report ID: rpt\_97xvHpULc0wbwyC\_VcCGSw | © 2025 Vanguard Due Diligence Platform

# Data Sources & Quality Indicators

## Report Metadata

Field	Value
Report ID	rpt_97xvHpULc0wbwyC_VcCGSw
Company	TELSTRA GROUP LIMITED
ABN	56650620303
Report Date	09 February 2026
Generated At	2026-02-09 04:04:07 UTC
Data Source Type	Production Data
Data Sources Count	1
Agents Completed	7/7
Processing Time	12m 36s
Quality Level	Excellent
Overall Quality Score	100.0/100

## Data Sources Used

- Annual Report (Phase 1)

## Workflow & Agent Traceability

This report was generated by a LangGraph (LangChain) multi-agent workflow with automated retrieval and AI synthesis.

- Agent 1: Entity Resolution
- Agent 2: Ownership Intelligence
- Agent 3: IP Portfolio
- Agent 4: Financial Intelligence
- Agent 5: Legal Intelligence
- Agent 6: Market Intelligence
- Agent 7: Corporate Governance Intelligence

**Processing time:** 756s (above target: <200s)

## Quality Scores

Metric	Value
Quality Level	Excellent
Overall Score	100.0/100
Completeness	100.0/100
Accuracy	100.0/100
Consistency	100.0/100
Performance	100.0/100

**Warnings:**

- Above target processing time: 756s (target: <300s)