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Telstra

Information current as at 1 August 2023

What are the main business activities?

Telstra is Australia’s largest telecommunications company with operations in mobile and fixed line, spanning retail and business segments. It operates almost entirely in Australia.

The National Broadband Network (NBN) operated by the government has largely replaced Telstra’s fixed-line copper network which is being phased-out. Telstra has received compensation for each customer disconnected from their network and receives ongoing revenue for rental access to the ducts entering most premises in Australia. The key driver of future and current profitability is mobile and the outlook is improving.

Telstra has a dominant market share across both retail and business segments and due to their scale has cost-advantages over competitors. Customers are enticed by the wider coverage, higher speeds and better reliability of the Telstra mobile network. The company continues to invest in its mobile network to meet ever-increasing customer demands and to maintain network superiority over its competitors.

Why is this firm attractive to its customers?

Telstra’s value proposition is to provide the best mobile network, faster retail internet connections and cost competitive business communications solutions.

The NBN is reshaping the telecommunications sector and in response Telstra has expanded value-add services on high-speed networks, including cloud computing, high-definition video conferencing and managed data networks for private and public sector entities.

ESG observations

(E, S) – We presented AB’s modern slavery risk assessment framework and best practice guidance to the CEO and Head of Corporate Social Responsibility (CSR). We found that Telstra has a commitment from the top to reduce modern slavery risks in their operations and supply chain, but concrete steps to become a leader in this area are yet to be determined. Telstra’s modern slavery statement has significantly improved. The company works with several external parties to establish a strong risk identification framework. They identified debt-bondage like practices in Hyderabad, India which were remediated. Telstra needs to continue efforts to identify modern slavery among their suppliers.

Telstra has led the way within the telecommunications sector in Australia using carbon neutral branding for its products and for the company as a whole. Other companies in the industry have followed their lead.



Why does the portfolio own this stock?

Telstra has a stable and growing earnings profile. Following a period of tough competition, competitor weakness and the need to generate cash for capital investment is supporting more rational pricing conduct in Mobile. As the market leader, Telstra will be a key beneficiary of this trend.

Telstra is a high-quality company and is the leading telco by market share in Australia. Telstra's ability to maintain a price premium to its competitors in Mobile is underpinned by its higher quality network which customers are willing to pay up for. Telstra continues to maintain this network advantage through its capital investment program.

Telstra has a strong balance sheet and growing cash flows which can be used to fund shareholder returns. Telstra is attractively valued on a price to free cashflow basis.

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