



## Telsyte

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## Telstra to face some significant short-term challenges in meeting forecast, finds Telsyte

**Sydney**, 15<sup>th</sup> September 2008 - Telsyte's latest equity research report on Telstra reveals that while the company is largely executing to the Management Plan, it is likely to face some significant challenges in terms of revenue and earnings that will impact its ability to deliver on the forecast.

**Mobiles:** Telstra's share of the Australian mobile subscribers base has reduced from 43.2% in 2007 to 41.7% in 2008. However, higher ARPU from 3G services has helped sustain revenue growth for Telstra. Telsyte expects decline in ARPU next year as a result of increase in competitive pressure. These competitive pressures are expected to come from both Vodafone and Optus, as they expand their respective networks. This inturn is expected to heighten competition as a result of Telstra's diminishing network cost advantages, due to its competitors' 900MHz deployment strategies.

**Business Services & Applications:** The group's stagnating performance will require immediate attention. Short of continuing to try to sell parts of the business, Telstra will require a significant capital injection, in comparison to its current group turnover to revamp its legacy systems in order to make it more relevant in the landscape. This coupled with declining market share across KAZ and TBS will require significant restructuring to deliver a compelling market proposition.

Telsyte's projection of Telstra's total revenue for FY08 was \$25.14 bn, which was within 0.58% of the actual results of \$25 bn. Telsyte has revised its projections slightly for the next 4 years, FY09-FY12. Telsyte estimates a growth of 3.28% in FY09 resulting in the total revenue of \$28.82 bn, reaching to \$26.84 bn in FY12, showing a decline of growth to 0.61% over the period.

Telstra reported EBITDA Margins of 42.2% on Total Sales/Operating Revenue for FY08, which Telsyte's forecast matched exactly. Telstra's EBITDA for FY08 was \$10.417 bn while Telsyte's forecast for the same period totalled \$10.486 bn.

These research findings form part of Telsyte's Equity Research Program and the latest report provides an update to the 1<sup>st</sup> report, "State of a Harmonised Union". This report on Telstra provides an authoritative assessment of the key business drivers, major trends, and most critical developments in the telecommunications sector. The content of the report also includes detailed discussion, analysis and likely impact of the various market scenarios on Telstra's key financial measures.

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**About Telsyte**

[Telsyte](http://www.telsyte.com.au) is an Australian-based market research consultancy specialised in the competitive intelligence of the converged communications market. Telsyte's expertise is centred on the three core competency areas of Carrier & Broadband, Mobile & Wireless and Enterprise Communications. Telsyte provides industry insights through custom research and consulting as well as ongoing research, which includes market reports and online databases. Telsyte is a business unit of Australia's largest independent telecom consulting company, [Gibson Quai-AAS Pty Ltd.](http://www.gibsonquai.com.au)