

# Assessment 1

## Telstra

23708 Studio 1: Foundation - Spring 2024

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# Table of Contents

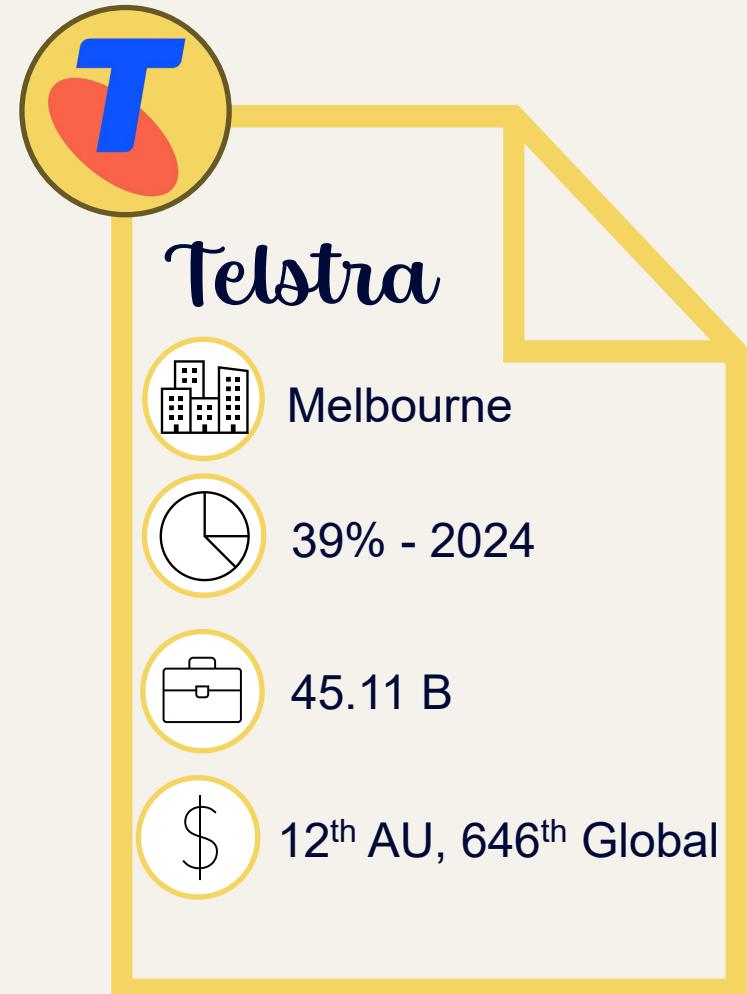
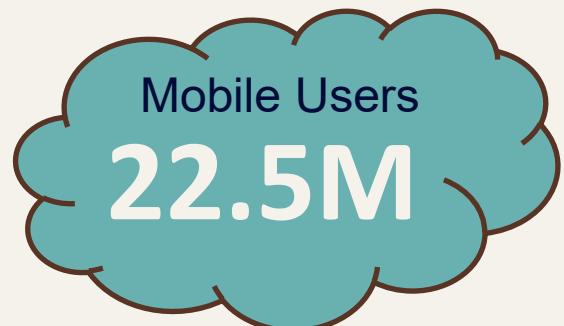
S. No.	Topic	Slide No.
1	Introduction & Industry Classification	3
2	Telecom Industry Performance	6
3	Big players in the Telecom Market	11
4	SWOT Analysis	12
5	Five Forces Analysis for Telstra	13
6	Telstra Performance	14
7	Demand Factors	15
8	Demand Curves & Elasticity	16
9	Supply Factors	20
10	Supply Curves & Elasticity	21
11	Conclusion	25
12	References	26

# Introduction & Industry Classification

Few Services offered by Telstra



Renowned for building and operating telecommunications networks and offering related products and services.



# Introduction & Industry Classification

## J Information Media and Telecommunications

### 58 Telecommunication Services

- 01 Wired Telecommunications Network Operations
- 02 Other Telecommunication Network Operations

◀ ANZSIC 2006 Industry Code

# Introduction & Industry Classification

Information Media and Telecommunications

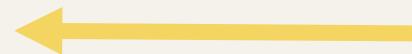
Telecommunication Services

Wired Telecommunications Network Operations

Other Telecommunication Network Operations

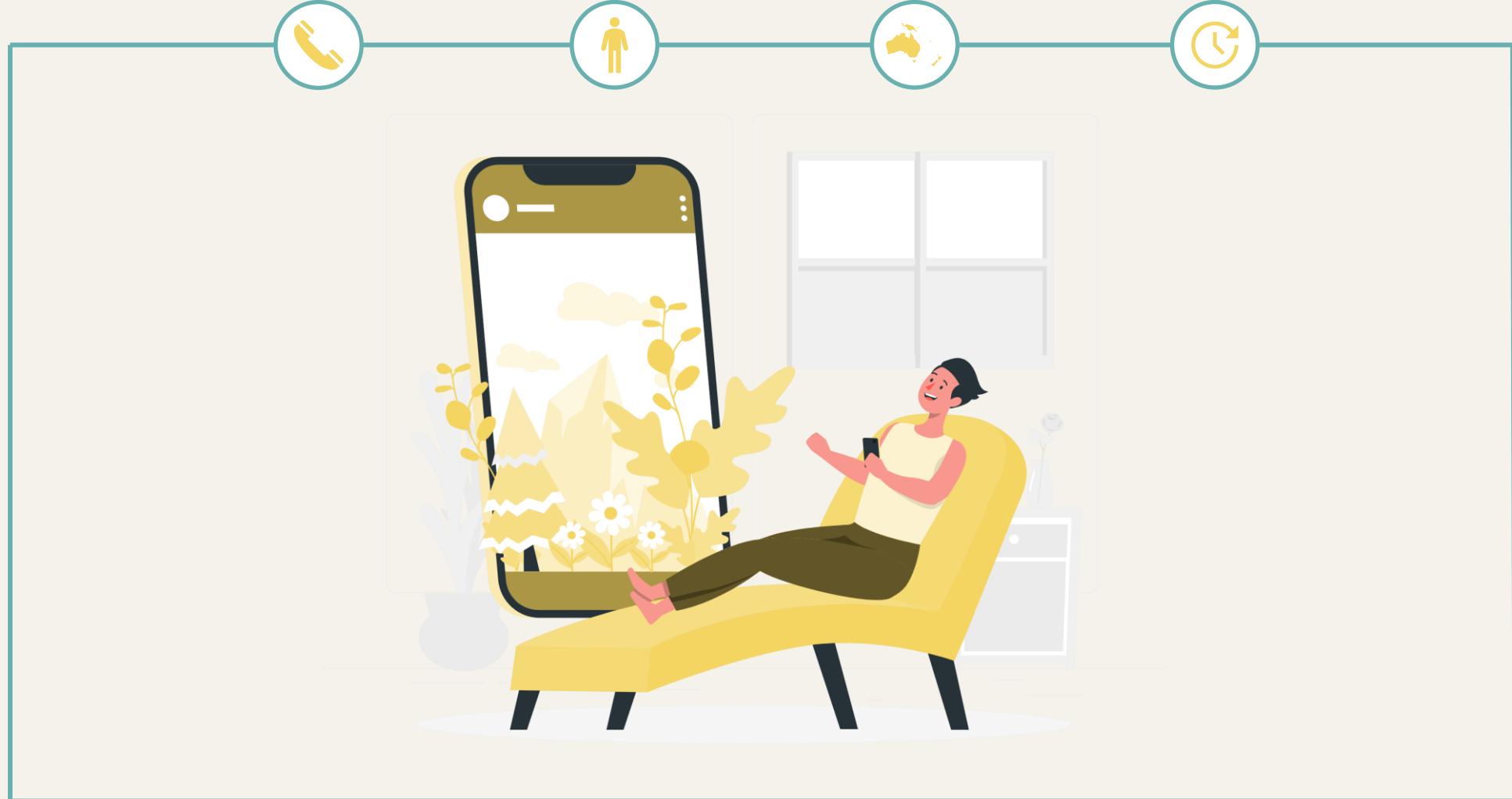
J 58 01

J 58 02



ANZSIC 2006 Industry Code

# Telecom Industry Performance



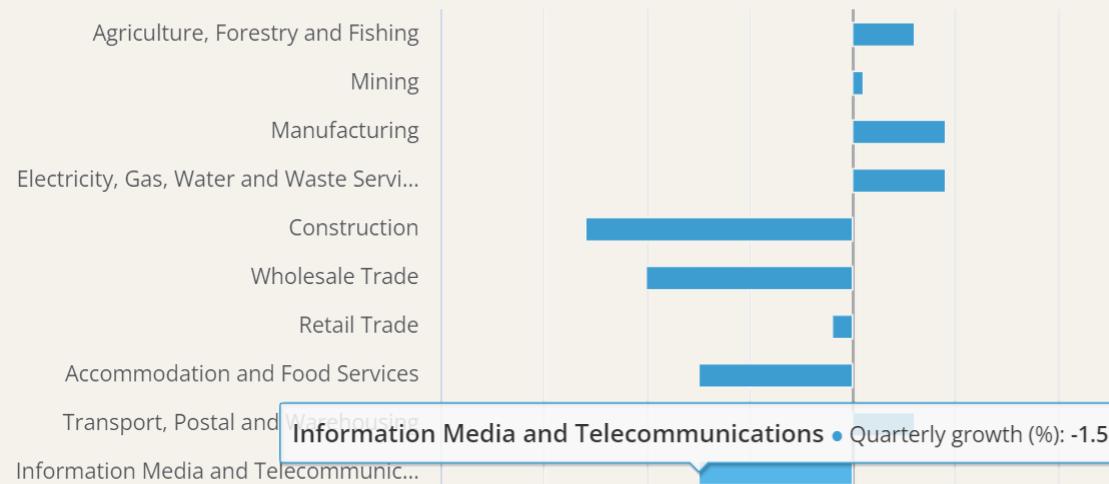
# Telecom Industry Performance



The Telecom industry has experienced a rise of **2.3%** over the last year in general but has seen a decrease in contribution to the Australian GVA by around **-1.5%** in the last published financial quarter **(Dec 2023 - March 2024)** which is mostly due to **investments in 5G which are yet to give returns as it is a new technology.**

Graph Table

Download

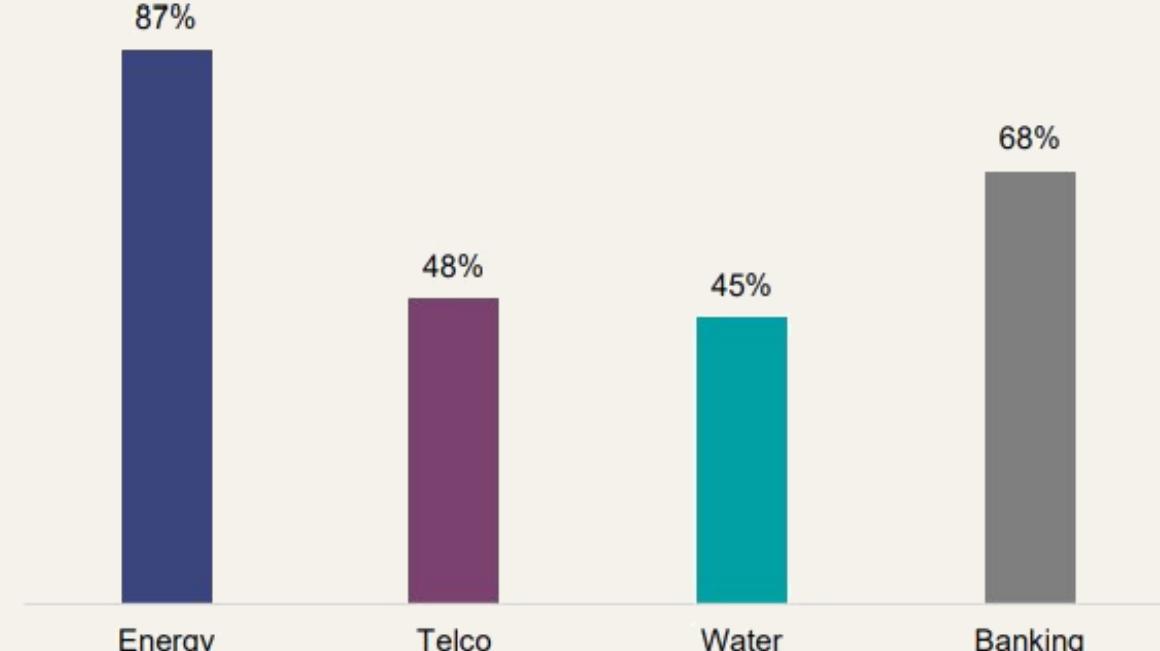


# Telecom Industry Performance



Figure 5: Australians having difficulty or concerns with essential services bills

According to the latest Communications Alliance Complaints-in-Context Report, **complaint numbers** for Australia's telcos have continued to decline indicating a rather **stable customer perception** for the industry.



Source: ACMA, *Financial hardship: telco and other essential sectors – Quantitative research*, (May 2023), p. 10.

# Telecom Industry Performance



The Australia Telecom Market size is estimated at USD **22.13 billion** in 2024 and is expected to reach **USD 23.96 billion** by 2029 which is approximately around 8.27%

## Sector Valuation and Performance

Has the Australian Telecom Sector valuation changed over the past few years?

1Y

3Y

5Y

10Y

Price to Sales ▾

Price to Sales Ratio ⓘ

Mon, 02 Sep 2024

2.7x



# Telecom Industry Performance



Telstra and Optus contract with **SpaceX** to provide mobile satellite service via the Starlink constellation, with data services starting from late **2025**.

The 2.7% increase was driven by a:

2.9% rise in Other Information and Media Services driven by demand for emerging software products.

This was partly offset by a:

0.2% fall in Telecommunication Services.

## Production

### Production

	Mar 24 to Jun 24	Jun 23 to Jun 24
	% change	% change
Agriculture, Forestry and Fishing	-0.2	-3.7
Mining	-0.3	-0.5
Manufacturing	0.7	0.2
Electricity, Gas, Water and Waste Services	1.3	2.1
Construction	0.5	0.1
Wholesale Trade	-	-4.1
Retail Trade	-0.3	0.1
Accommodation and Food Services	-0.3	-3.2
Transport, Postal and Warehousing	0.6	2.5
Information Media and Telecommunications	1.6	2.7

# Big players in the Telecom Market

## Australian Market Coverage Percentage (June 2024) Share:



## Market Capital Comparison:

45.17B

Telstra

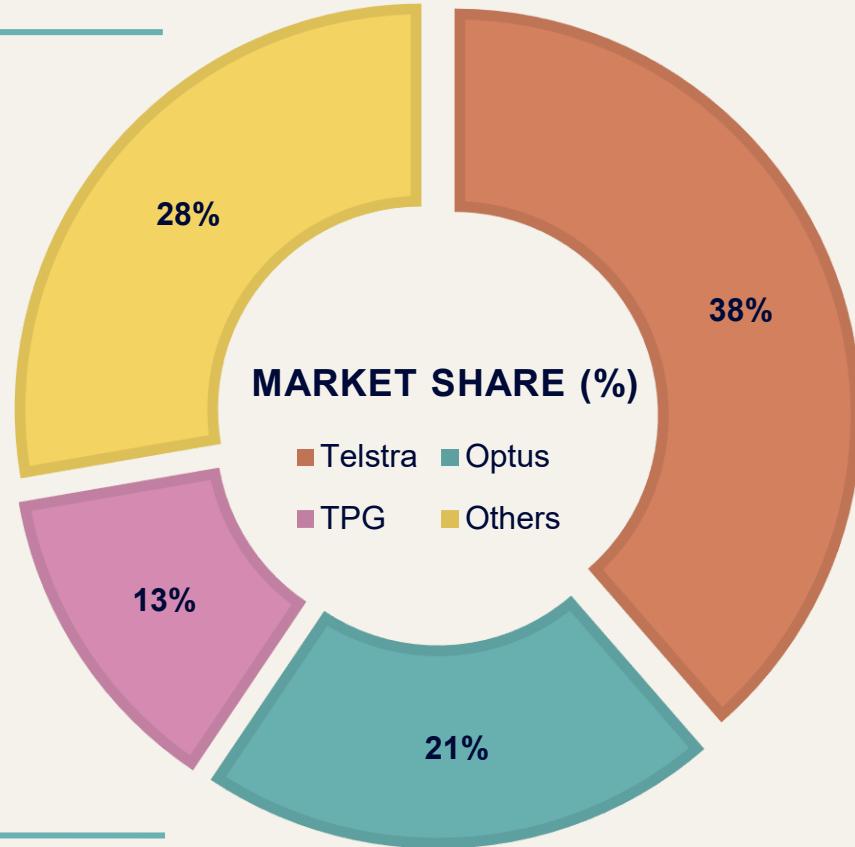
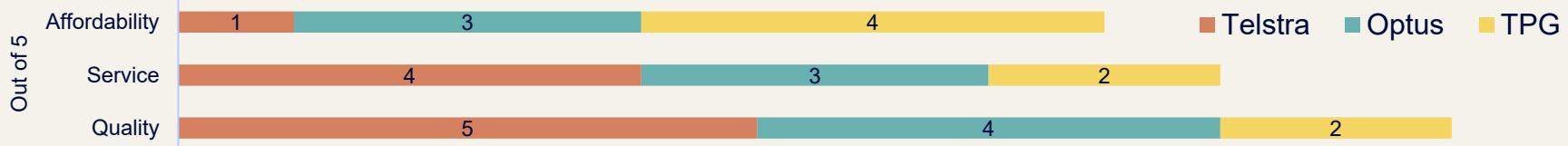
65B

Singtel (Optus)

8.51B

TPG

## Customer Perception:



# SWOT Analysis

S

- Dominant market position
- Investment in latest technology
- Strong distribution network
- Strong dealer community

W

- Priced higher than competitors
- High Operating Costs
- Dependency on the Australian Market

O

- International expansion
- Expansion into digital markets like cloud computing and data analytics
- Partnerships and Acquisitions of smaller tech firms

T

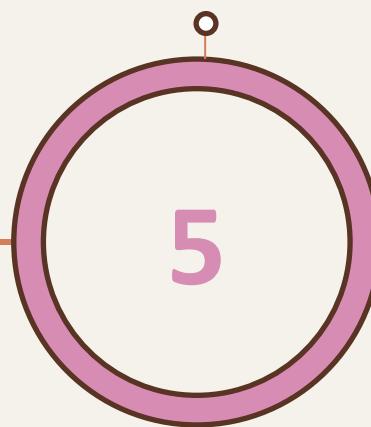
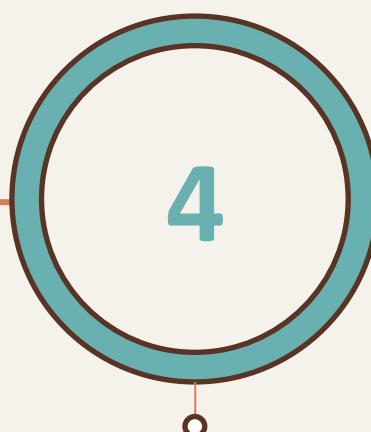
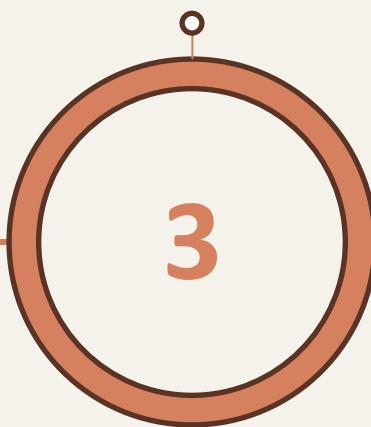
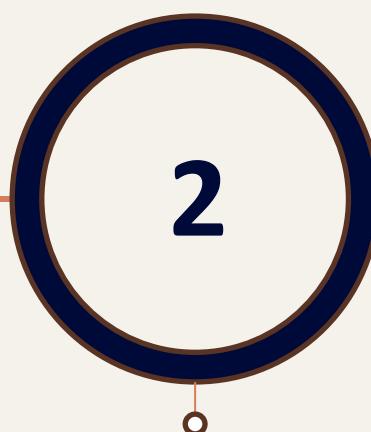
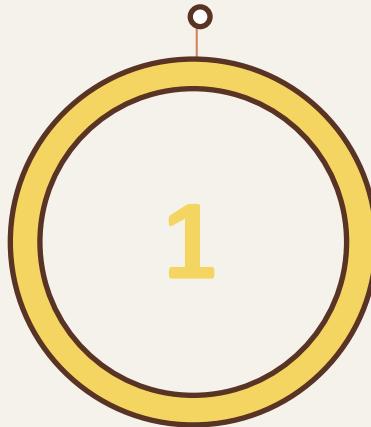
- Intense competition
- Shortage of skilled workforce in certain global markets
- Regulatory Risks
- Cybersecurity Risks

# Porter's Five Forces Analysis

**Moderate**

Due to economies of scale, government regulations and licensing requirements.

## Threat of New Entrants



## Bargaining Power of Supplier

**Low**

Telstra has leverage and multiple vendor options.

**High**

Influenced by price sensitivity and porting costs are low.

## Bargaining Power of Buyers

## Threat of Substitutes

**Moderate**

Direct substitutes are very limited and Telstra's broad range of products mitigates these risks.

# Telstra's Performance

## Revenue

- Telstra's revenue grew from AUD 23.4 billion in 2022 to AUD 23.7 billion in 2023, continuing upward in 2024, driven by strong core business performance and growth in Telstra Health and energy services.

## EBITDA

- Telstra's EBITDA grew from AUD 7.3 billion in 2022 to AUD 8 billion in 2023 (up 9.6%), reaching AUD 8.35 billion in 2024, driven by mobile growth, Digicel Pacific integration, and cost controls.

## Equity

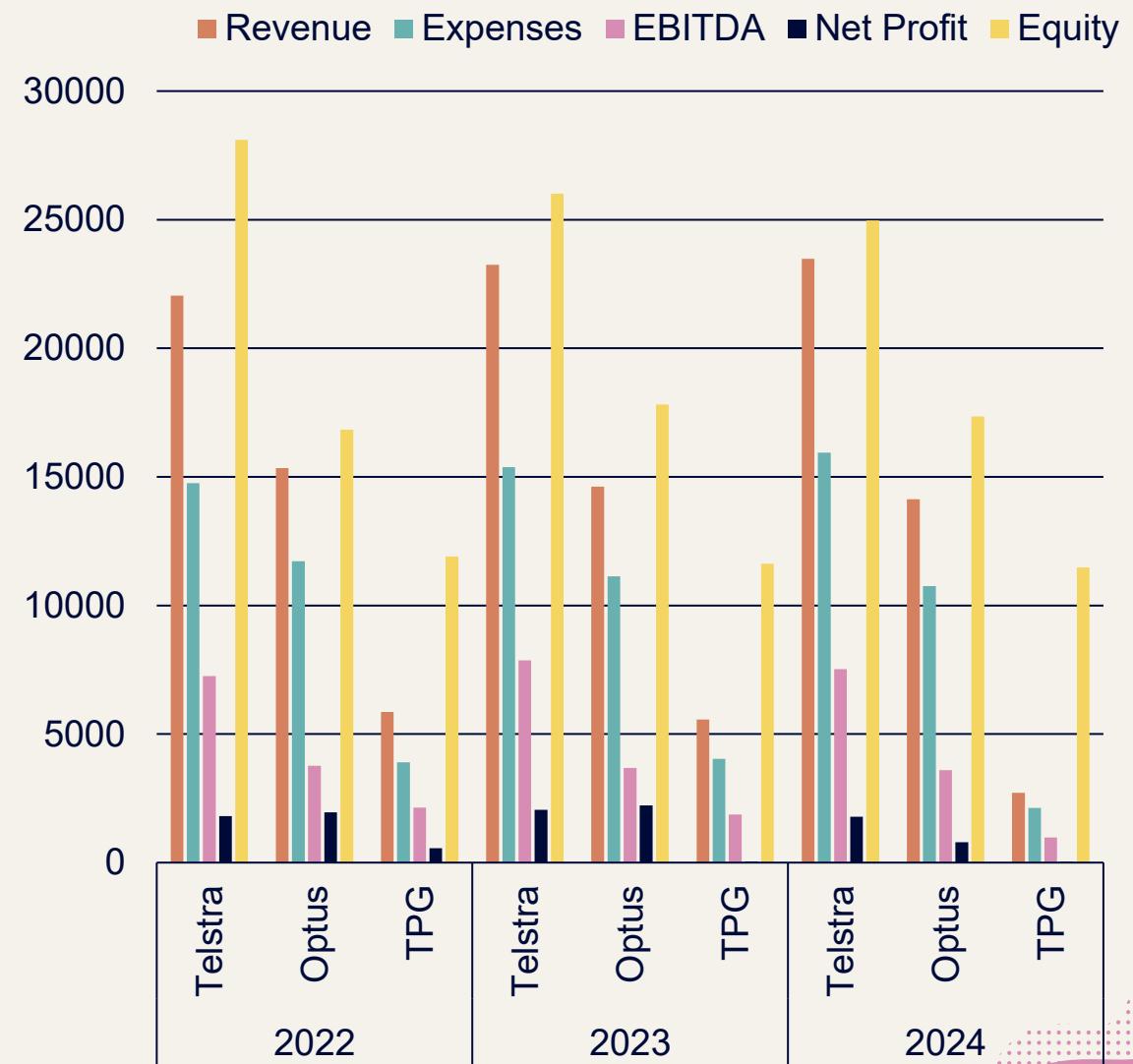
- From 2022 to 2024, Telstra's share price saw modest growth. After dipping in 2022 due to market uncertainty, it rebounded with the success of the T22 strategy and a 9.6% EBITDA rise in 2023, reaching AUD 3.50–3.90 by mid-2024.

## Net Profit

- Telstra's net profit was AUD 1.8 billion in 2022, dipped in 2023 due to rising costs, but rebounded in 2024 after restructuring and cost-cutting under the T25 plan.

## Expenses

- Telstra's operating expenses were stable in 2022, rose in 2023 due to 5G and digital investments, but leveled off by 2024 with improved efficiency from the T25 strategy.



# Factors Affecting Demand

## Price-Demand Relationship



As Mobile plans prices increase, customers find substitutes or reduce consumption.

## Price of Related Goods



An inverse relation with substitutes and direct relation with complimentary goods.

## Consumer Income



As Income increases demand for better goods and services also increase and vice-versa.

01  
02

03  
04

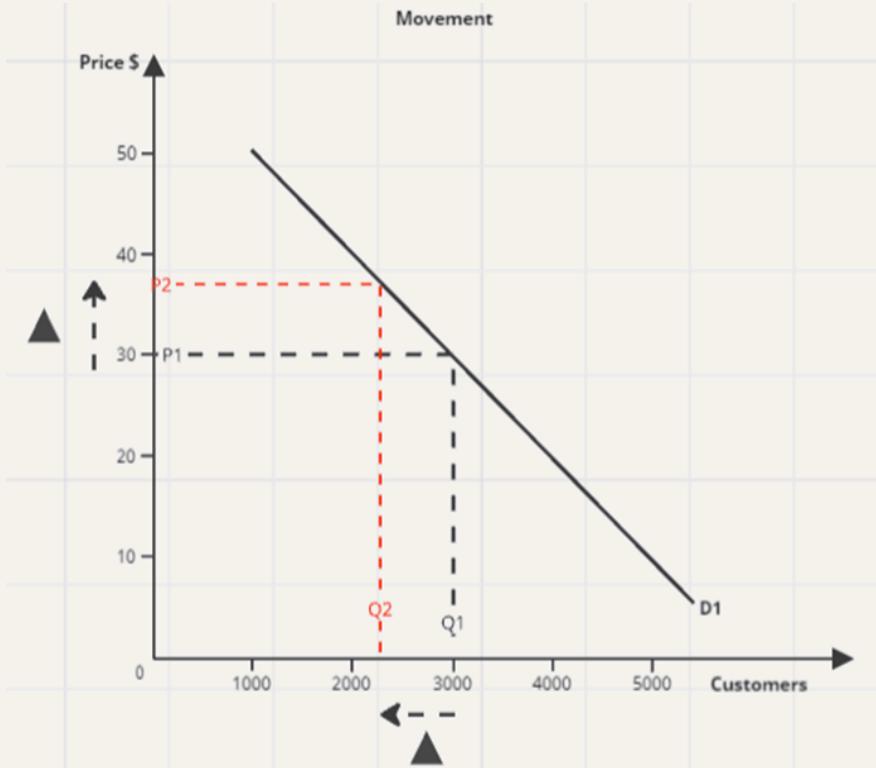
## Consumer Preferences



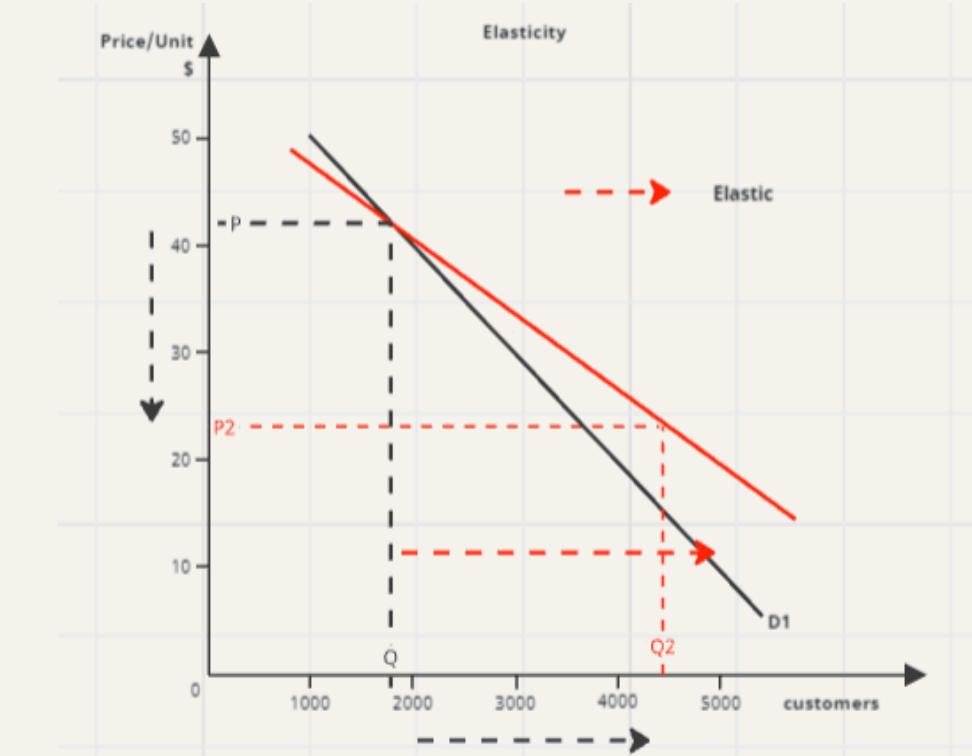
The need or current preference will dictate the demand and elasticity of Telstra

## 1. Price-Demand Relationship

As soon as the price of Telstra's mobile plans and internet services increases, that normally ensures demand falls as customers begin using cheaper substitutes or reducing consumption.



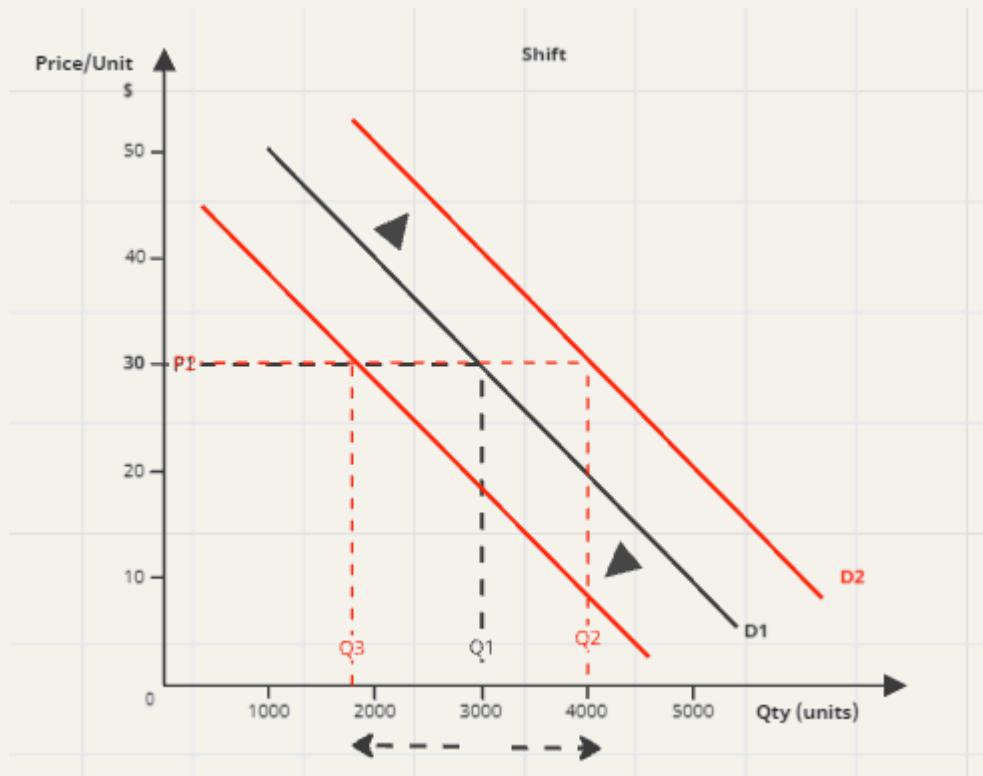
Hike in plan prices – Decrease in demand



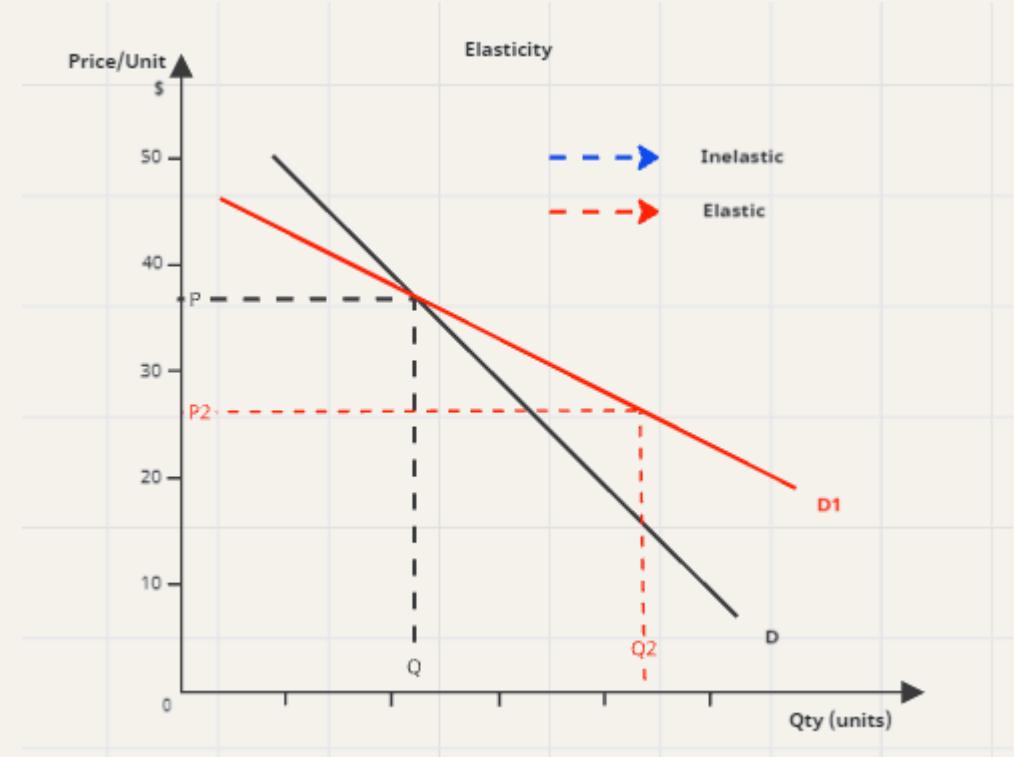
A rather elastic demand curve due to availability of options.

## 2. Consumer Income:

An increase in the consumer's incomes increases demand for higher-end services, whereas a decrease in the consumer's income lowers the demand since consumers prefer budget-friendly deals.



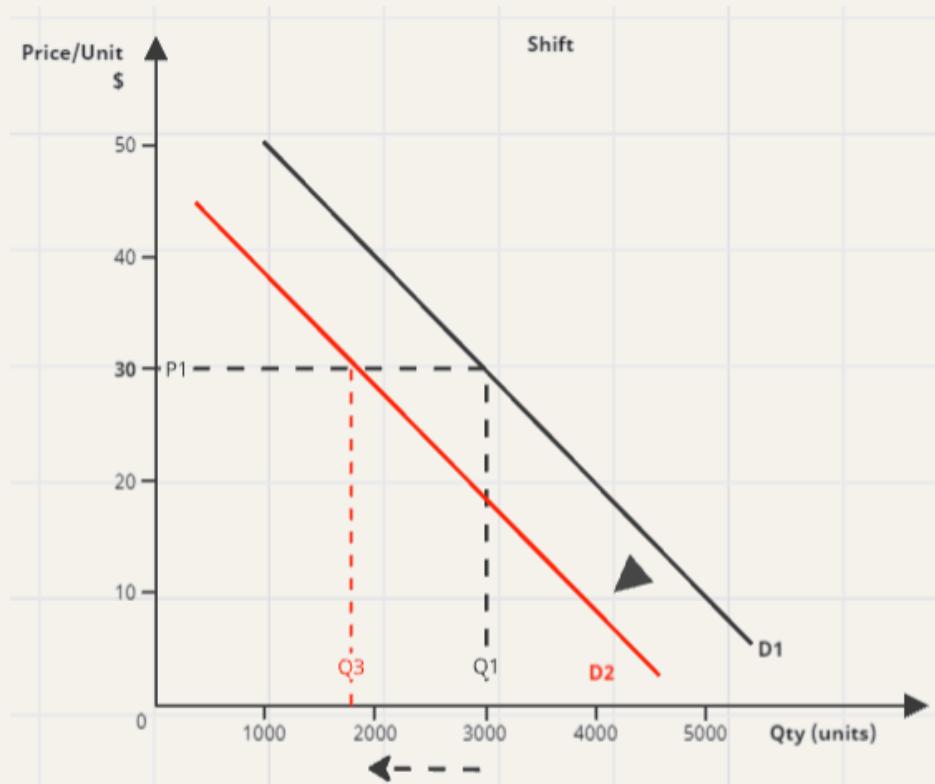
Increase in purchasing power due to increase in income, and vice versa.



It is **elastic** for the people who will switch to Telstra from cheaper network providers when there's a change in individual income.

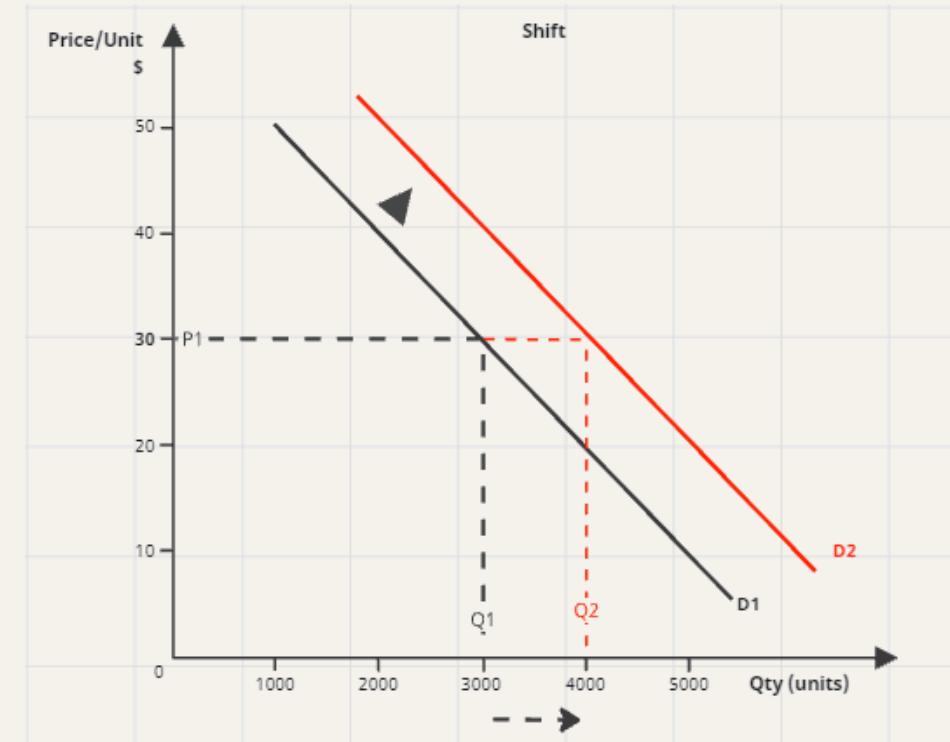
### 3. Price of Related Goods:

Whenever the prices of the substitute goods—that is, other service providers like Optus—offer relatively lower prices, demand for Telstra goes down, or vice-versa. An increase in demand will be seen with complementary services, such as security solutions.



#### Substitute goods:

Decrease in demand due to decrease in competitors' price.

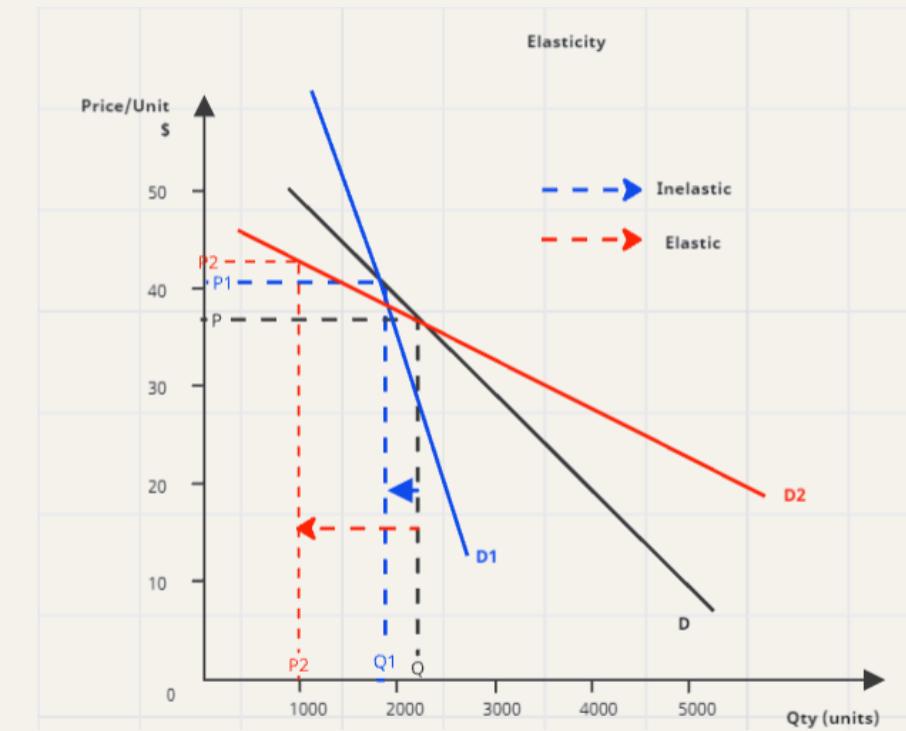
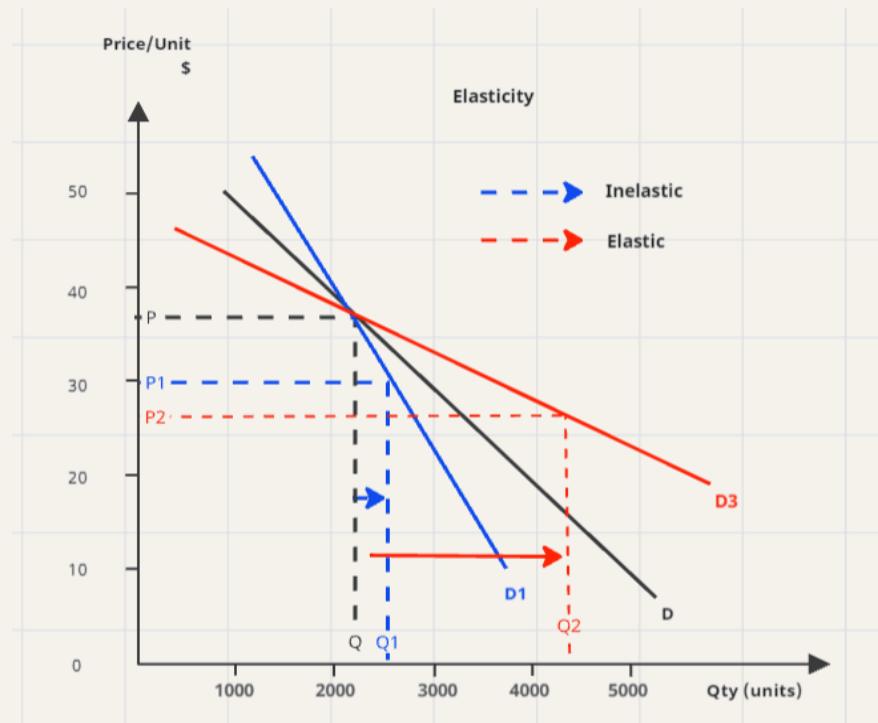


#### Complementary Goods:

The demand for Telstra's services increases alongside the growing demand for complementary offerings, such as Telstra Broadband.

#### 4. Consumer preferences & expectations:

Irrespective of decrease or increase in price, demand is dictated by consumer preference in some cases. Business executives or frequent travelers would use Telstra irrespective of price change as they need that network reliability. On contrary, consumers with essential needs would have an elastic demand, such as a regular college student.



# Factors Affecting Supply

## Input Costs & Skilled Labour

Cost   Supply

As cost of production or service goes up, vendors reduce their supply so that they do not run out of money.

01

02

03

04

## Natural Disasters

Calamity   Supply

Due to calamities, many supply lines, production systems and people involved are hurt or damaged and hence production goes down, therefore supply drops.

## Technology

New Tech.   Supply

As new technology becomes more easily available, creating the same product becomes easier and hence faster which allows for increased supply.

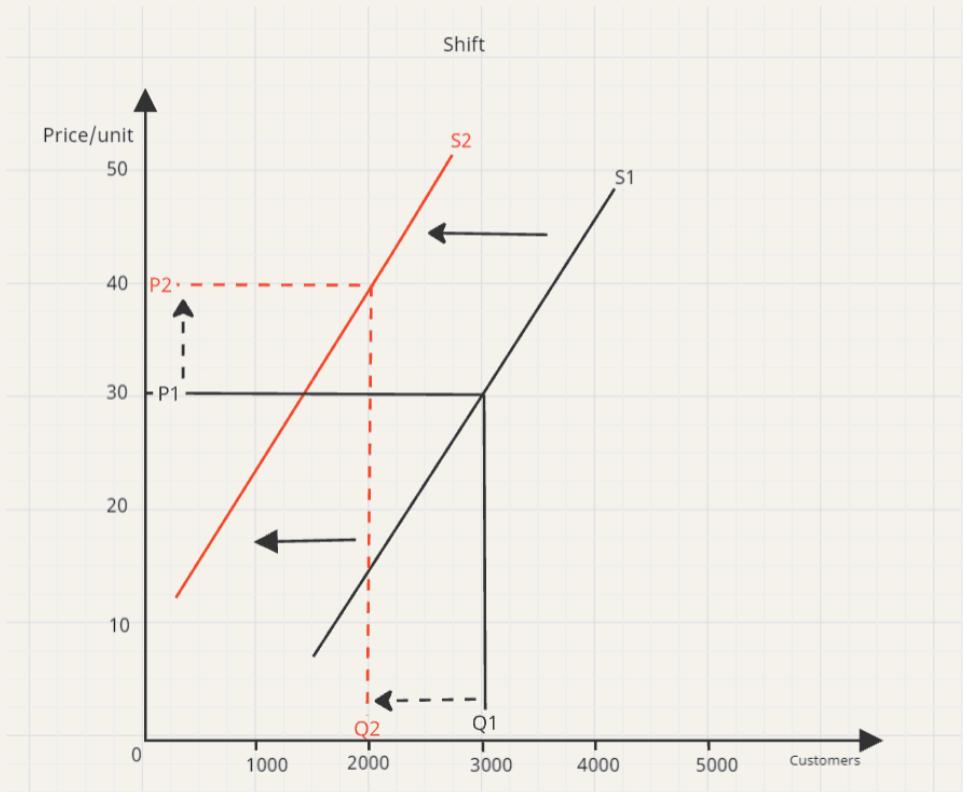
## Government Regulations

Regulations   Price

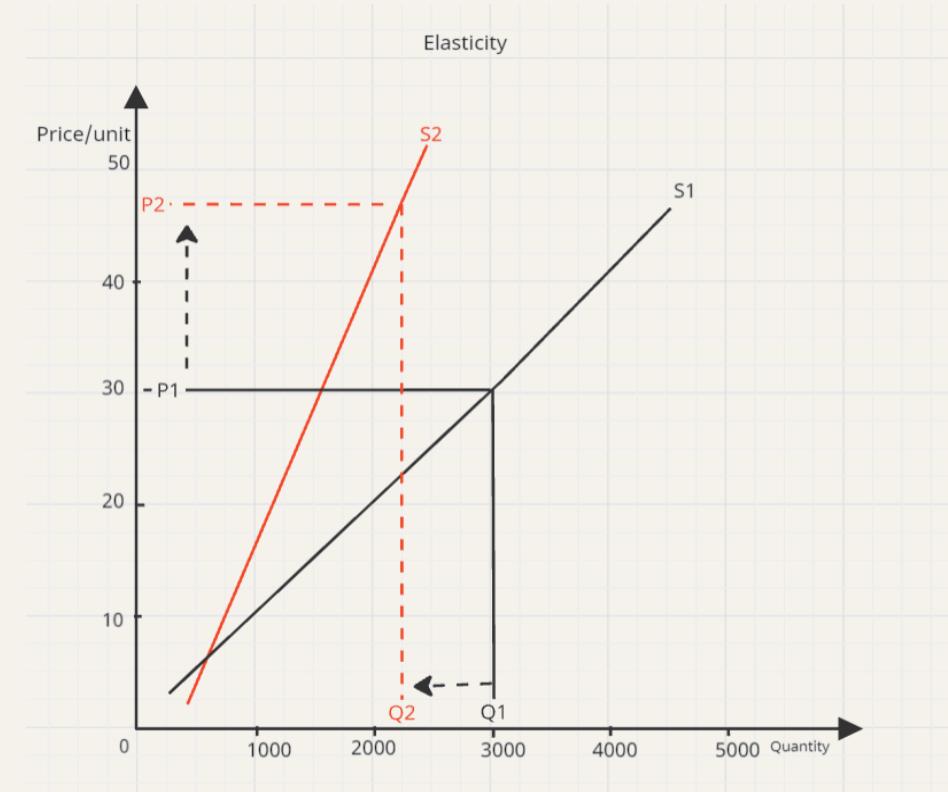
As Govt. regulations increase, and taxes increase or certain methods of production get more regulated, supply decreases.

## 1. Input Cost & Skilled Labour:

When the cost of input and skilled labour increase, the supplier tends to produce less as there is an increase in cost which leads to a decrease in supply in the market.



Increase in cost- reduces supply of quantity  
Shifts the supply curve to left

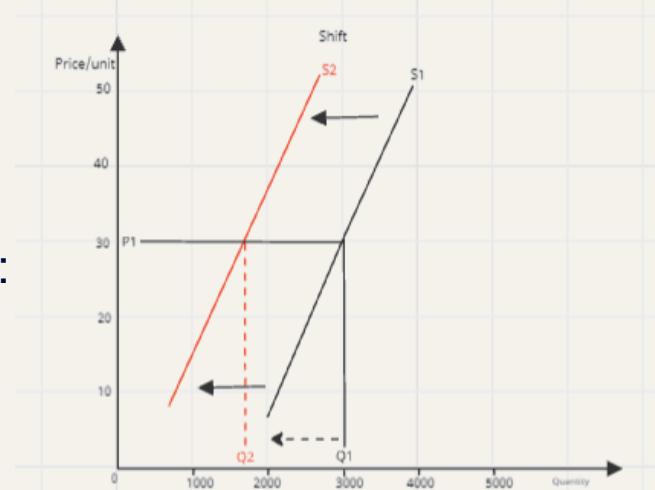


The supply curve is inelastic due to % change in price is higher than % change in supply.

## 2. Natural disasters:

- During natural disasters, the company's services might be lost which leads to a decrease in supply, being the price of the service is constant.

Case 1:

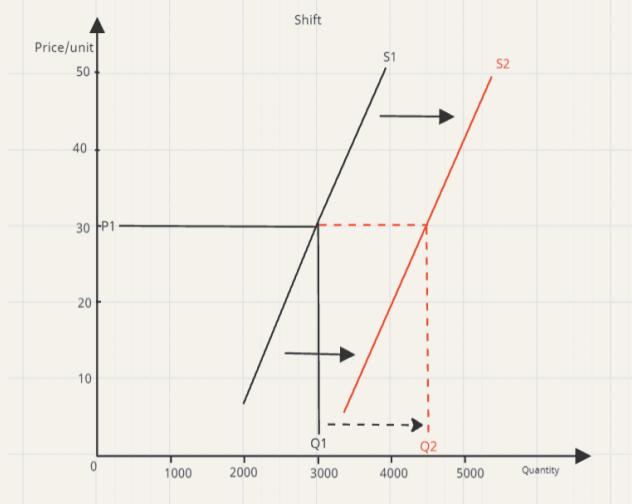


Infrastructure Damage:  
Stable price and decrease in supply, shifts supply curve left.

Telstra revealed its network experienced "critical damage" as 36 mobile towers were knocked out in bushfires in rapidly-changing conditions, but more than half of those were now back online.

Samios, F. H. Z. (2020, January 10). Increasing fire threat to vulnerable telecommunications networks. *The Sydney Morning Herald*. <https://www.smh.com.au/politics/federal/increasing-fire-threat-to-vulnerable-telecommunications-networks-20200110-p53qcy.html>

Case 2:



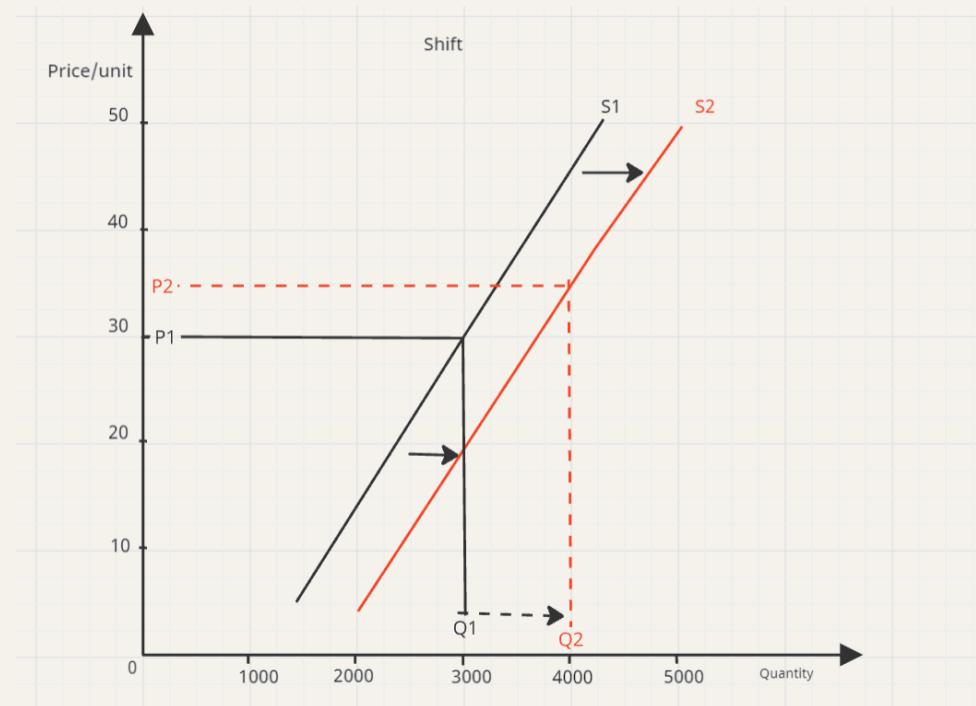
Affected Area:  
Stable price and increase in supply, shifts supply curve right.

This year, customers on our monthly mobile plans will automatically receive 100GB of extra data on their service if you're in an affected area. As long as your mobile service is registered to an area where disaster assistance is available, you'll receive a text message informing you that you'll be set up with the extra data for use in Australia within 30 days.

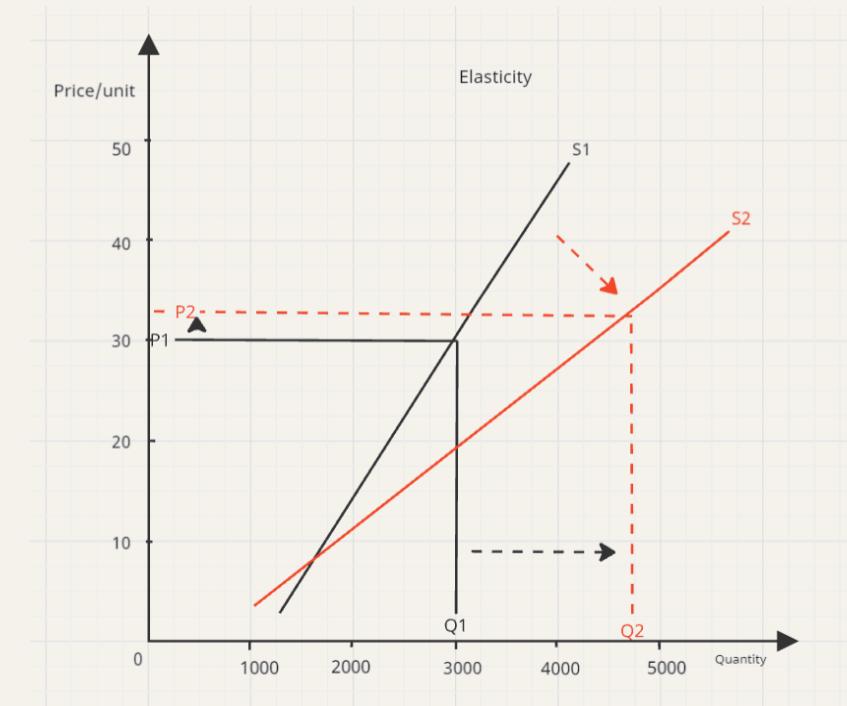
Telstra. (n.d.). *More Data, better payphones, less stress: How we're supporting you this disaster season*. Telstra Exchange. <https://www.telstra.com.au/exchange/disaster-season-upgrades-2023>

### 3. Technology:

- Changes in the technology will shift the supply curve of the Telstra market, making it more elastic due to an increase in its service efficiency and productivity gains. Also, the company might increase the price to cover the R&D cost.



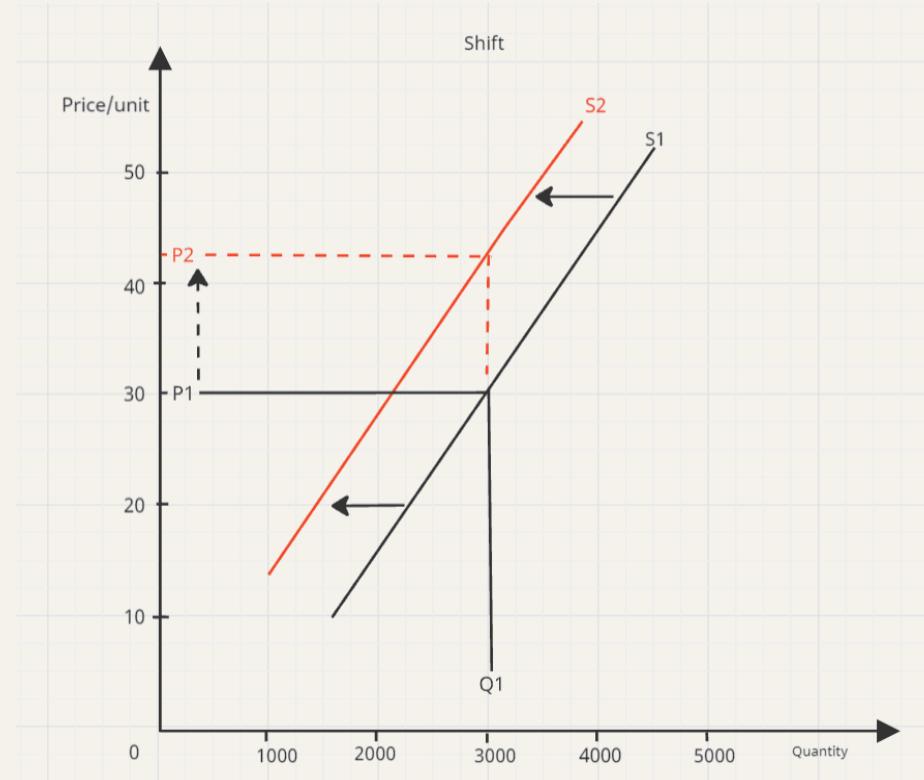
Supply increase due to increases efficiency which increases price as well. Shifts supply curve right.



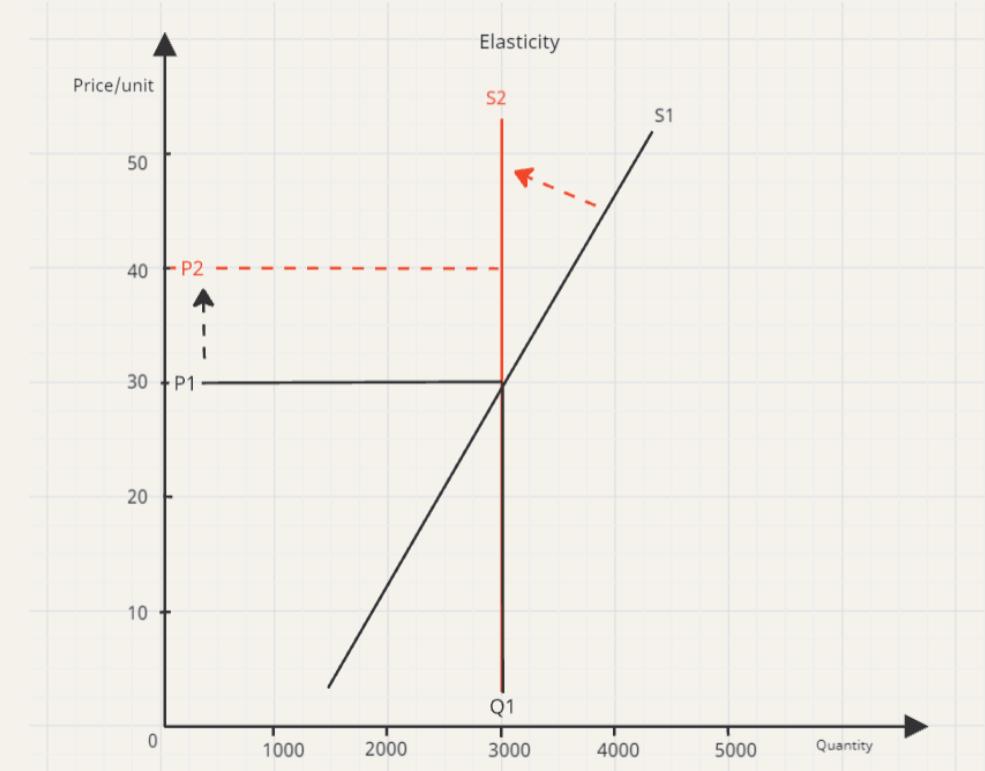
It is elastic because supplier tends to produce more with advanced technology.

## 4. Government Regulation:

Government regulation will increase the marginal cost of the production as they are imposed with taxes and being the supply is constant.



Price increase due to change in govt. regulation, being the supply constant. Shifts supply curve left.



It's perfectly inelastic as the supply is constant and price increases.

# Conclusion

Telstra Future Performance: Expected to be stable with potential for Moderate Growth.

P/E Ratio

**29.47**

Slightly above the industry average, indicating a good valuation.

Debt-to-Equity Ratio

**0.77**

Indicating a manageable debt level.

ROE Ratio

**18.3**

Suggesting strong profitability.

Dividend Yield

**~5%**

Relatively attractive compared to peers.

Telstra's future performance will be shaped by its 5G expansion, cost optimization, and customer focus. While competition and regulatory challenges pose risks, the company is positioned for stable growth, driven by innovation and adaptability.

# References

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Finance.yahoo.com. <https://finance.yahoo.com/quote/tls.ax/>
- **TPG Market Cap:** *TPG share price and company information for ASX:TPG*. (n.d.). Australian Securities Exchange.  
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- **Image 1 Reference:** (2024). App.goo.gl. <https://images.app.goo.gl/GykKBgMkdFbiV3ff6>
- **Image 2 Reference:** Chain, S. (2021). *Supply Chain Professionals of the Future Need These Skills*. [Www.google.com](https://www.google.com/search?q=Supply+Chain+Professionals+of+the+Future+Need+These+Skills).  
<https://images.app.goo.gl/cmR4pdqLWfAE8vh68>
- **Return on Equity:** *Telstra Group Limited (ASX:TLS)*. (n.d.). Intelligent Investor. <https://www.intelligentinvestor.com.au/shares/asx-tls/telstra-group-limited/financials>