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HD **Can Telstra's share price keep on rising?**

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Telstra chief executive David Thodey has truly seen feast and famine during his tenure at Australia's biggest telecommunications provider.

He was forced to issue profit warnings soon after taking over from his controversial US predecessor, Sol Trujillo, and experienced shareholder pain as Telstra's share price tumbled to the $2.60 mark in 2010.

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But last week, on the eve of his fifth year at Telstra, Mr Thodey had the pleasure of seeing the **company** trade at $5.29 a share – a price it hasn't hit since early 2005.

The question now is whether Telstra has the assets, strategy and resources to keep growing profits and dividends to continue boosting its share price.

The answer from most appears to be "yes", but with caveats.

A key driver of Telstra's recent share price rise is its large free cash flow gained by selling off a series of non-core assets including a 70 per cent **stake** in Sensis and **Hong Kong** mobile provider CSL. Analysts have valued the cash pile at up to $7 **billion**.

Most believe Telstra will spend low single-digit **billions** buying Asian players to further its strategy of providing technology services in the region, with the rest going back to shareholders as increased dividends.

The **company** will detail its plan for the cash splash as part of its full-year results in August. But that will be small potatoes compared to the $11 **billion** set to come from NBN Co in exchange for Telstra handing over control of its ageing **copper** network.Shareholders won't suffer

A renegotiation of the deal is under way but Telstra and NBN Co are in furious agreement over the fact that shareholders will not be left worse off.

Tyndall Asset Management portfolio manager Michael Maughan said he continued to see Telstra as a solid, defensive stock.

"[The industry] is continuing to be rational and there are no signs of irrational competition. In terms of technology, Telstra was "at the front of the curve" in mobile networks and NBN would take the fixed-line risk.

"There's no reason why it shouldn't continue to be a solid defensive play and there's every reason to think the yield can support the stock," he said.

Bank of America Merrill Lynch analyst Sameer Chopra is considered to be bullish on Telstra and has given it a "buy" rating while telling clients it could reach $6 a share.

Much of this is thanks to Telstra's highly successful mobile network winning customers and market share while increasing profitability thanks to industry-wide price hikes, he said.

Major question marks remain as to whether its Asian business ventures can succeed against significant global and regional rivals while replacing lost revenue. The asset sales may have generated **billions** of dollars but CSL, alone, made more than $1 **billion** in revenues during financial year 2013.

CIMB analyst Ian Martin told clients Telstra can climb higher with a price target of $5.73 a share.

He sees the **company**'s global arm as having the infrastructure needed for a rapid increase in customers and services with a well-managed programme adding 5 per cent to earnings a share.

But Goldman Sachs research analyst Raymond Tong reminded clients of a key risk after the NBN strips Telstra of its **copper** business; a dramatic increase in competition brought on by a level playing field, especially in rural areas.

"While our channel checks indicate Telstra has been hitting 60 to 65 per cent share targets in NBN areas, we expect this will come under pressure with the entry of low-cost operators Dodo and TPG Telecom."

Where most customers in the bush are forced to pick Telstra as the only option, the NBN and other programs are set to decrease its dominance.

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