

BRIEF: FY25 results - Australian telco industry splits into four camps

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DAVID KENNEDY

david.kennedy@ventureinsights.com.au

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Abstract: The 2025 financial year confirmed a great divergence in Australian telecommunications, where the sector's growth was overwhelmingly driven by challengers leveraging wholesale contracts and M&A to gain scale. While incumbents like Telstra and TPG focused on cost discipline and shareholder returns, challengers such as Aussie Broadband and Superloop reshaped the competitive landscape, transforming into platform "enablers" for other large brands. This has shifted the primary battleground from direct retail competition to the wholesale market, with some niche specialists also finding success by offering differentiated, high-value technology services rather than commoditised connectivity.

Australian telco industry - FY25 key takeaways

Full-year results for the Australian telecommunications market has fundamentally split into two camps, with incumbents Telstra and TPG fortifying their positions through efficiency and shareholder returns while challengers Aussie Broadband and Superloop aggressively scale via wholesale dominance and strategic acquisitions.

Key Takeaways

1. **Incumbents Pivot to Profitability.** Mature giants Telstra, Optus and TPG are no longer chasing market share at all costs, instead pivoting their strategies to operational efficiency and maximising shareholder value. This is demonstrated by Telstra's \$1 billion share buy-back and TPG's divestment of non-core fibre assets.
2. **Challengers Drive All Sector Growth.** The sector's headline revenue and subscriber growth was almost entirely delivered by challengers Aussie Broadband and Superloop. Their success was fuelled by transformative M&A and the capture of large-scale wholesale contracts.
3. **Wholesale is the New Challenger Battleground.** The wholesale market has definitively emerged as the primary engine of growth and the main arena for competition. Superloop's successful integration of the Origin Energy customer base proves that a robust wholesale platform is the fastest path to scale.
4. **M&A is the Key Scaling Tool.** Consolidation remains the most critical strategy for smaller players to achieve the necessary scale to compete and survive. Aussie Broadband's integration of Symbio highlights how acquisitions are being used to rapidly diversify into new services and markets.
5. **Niche Specialists Outperform.** The market is placing a significant premium on companies that create value by sidestepping commoditised competition. Technology-led specialists like Megaport (Network-as-a-Service) and Codan (mission-critical communications) delivered the strongest shareholder returns.
6. **Superloop's Wholesale Transformation.** Superloop provided the clearest example of the market's shift, with a single wholesale contract with Origin Energy driving a 31% revenue increase and a 70% surge in underlying EBITDA. This propelled the company to its first-ever full-year net profit.
7. **Micro-Caps Consolidate to Survive.** For the smallest players like Swoop and Comms Group, M&A is a fundamental survival strategy to combat high fixed costs and intense competition. Their business model is to act as roll-up vehicles, acquiring smaller ISPs to create an entity large enough to be profitable or be acquired itself.

Key company categories

The Incumbents (Telstra, TPG Telecom, Optus)

- **Description:** These are mature, market-leading giants who have shifted their focus from aggressive expansion to optimisation. They aim to extract maximum value from their extensive customer bases and assets while fortifying their premium market positions.
- **Opportunities:** Leveraging their vast scale to drive down costs, increasing Average Revenue Per User (ARPU) by migrating customers to higher-value plans (e.g., 5G), and generating substantial free cash flow to fund dividends and share buybacks.
- **Challenges:** Finding growth in a saturated market, fending off aggressive price competition from challengers, and managing the decline of legacy network services.

The Aggressive Challengers (Aussie Broadband, Superloop)

- **Description:** This dynamic group is reshaping the market through rapid expansion, driven by a dual strategy of winning large wholesale contracts and executing transformative M&A. They are evolving from simple ISPs into platform "enablers" that provide "telco-in-a-box" solutions for other large enterprises.
- **Opportunities:** Capturing more large-scale wholesale contracts from enterprises like energy retailers, using M&A to quickly enter new market segments (e.g., voice, mobile), and leveraging their scalable platforms to gain further market share from the incumbents.
- **Challenges:** Maintaining profitability and service quality amidst rapid growth, the significant risk associated with integrating large acquisitions, and competing in the highly competitive, margin-thin retail NBN market.

The Niche Specialists & Diversifiers (Megaport, Codan, Data#3, Spirit Technology)

- **Description:** This diverse cohort avoids direct, commoditised competition by carving out defensible, high-value niches. They leverage technological differentiation and specialised service offerings, blurring the lines between a telco and a technology company.
- **Opportunities:** Capitalising on major technology trends like AI and multi-cloud adoption (Megaport), focusing on high-margin sectors like defence and cybersecurity (Codan, Spirit), and building annuity-based revenue from integrated IT services (Data#3).
- **Challenges:** Their specialised nature can lead to a smaller addressable market, they must constantly innovate to maintain their technological edge, and they can be vulnerable to shifts in their specific niche market.

The Small Consolidators (Swoop, Comms Group, Vonex)

- **Description:** For these micro-cap players, M&A is a primary strategic imperative for survival and growth. They act as roll-up vehicles, acquiring smaller private ISPs and service providers to achieve the minimum scale necessary for sustainable profitability.
- **Opportunities:** A fragmented market of small private telcos provides a pipeline of potential acquisition targets. Successful integration can unlock significant cost synergies and create a more valuable, combined entity.
- **Challenges:** The high risk of overpaying for assets, the complex and difficult process of post-merger integration, and the constant pressure to reach a viable scale or risk being outcompeted.

Why does this matter?

The divergence highlighted in the FY2025 results is important because it signals a **fundamental restructuring of the Australian telecommunications market**. The industry is evolving from a simple retail-focused battle for internet and mobile customers into a more complex, **multi-layered platform war**.

The most successful challengers are proving that the biggest growth opportunities lie in **B2B and wholesale**, enabling other major brands to become telcos themselves. For investors, this means company valuations must now heavily weigh the strength of their **wholesale platforms and M&A integration capabilities**, not just their retail brand recognition. For consumers, this trend will likely lead to more bundled service offerings from non-traditional providers like banks and energy companies.

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David Kennedy, Managing Director
david.kennedy@ventureinsights.com.au

Venture Insights
Level 3, 461 Bourke Street, Melbourne, VIC 3000