

Media Release



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Transcript -- TLS: T3 - Citigroup vs BBY on today's edition of AM (ABC radio) AM - Volatile stockmarket rocks confidence in T3 shares

Reporter: Brigid Glanville

TONY EASTLEY: Thousands of investors who bought T3 Telstra shares in 2006 have to make a decision in the next few weeks whether to sell their shares or keep them and pay the final instalment.

Investors have made money on the shares, but with the uncertainty in the sharemarket at the moment, some analysts fear a lot of people could sell up, causing a significant drop in Telstra's share price.

When T3 floated the share price was \$2.60. Today the shares are worth \$2.91.

Brigid Glanville reports.

BRIGID GLANVILLE: Most analysts agree there's no doubt T3 Telstra shares have performed well in the volatile stockmarket. 1.6-million Australians bought shares in the T3 float; nearly 60 per cent of them were mum and dad investors.

They now have until the end of the next month to decide whether to pay the final instalment of \$1.60 per share, or sell and get out of the turbulent sharemarket.

Tim Smeallie is the director of telecoms research at Citigroup.

TIM SMEALLIE: When they invested initially in T3, they could borrow money at 7.5 per cent and they were going to get a 14 per cent dividend yield on that investment.

What you're looking at now is that investors have to consider, "I'm going to be paying another \$1.60. If I don't have the cash available, I've got to borrow the money and I'll be buying it anywhere between say 8.5 to 10 per cent but my dividend yield is falling to 7.5 per cent".

BRIGID GLANVILLE: It's estimated a small investor will have to find on average between \$8,000 and \$12,000 for the final T3 instalment.

Tim Smeallie from Citigroup says given the state of the stockmarket, there could be a massive sell off of Telstra shares as scared investors get out.

TIM SMEALLIE: Worst case scenario is you see Telstra's share price go down. You have a situation where if retail investors decide not to make that second instalment, well the trustee has the ability to sell their T3 instalment receipts and that obviously puts pressure on the share price.

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BRIGID GLANVILLE: Despite the good performance of T3 since floating, Citi regards the stock as a high risk investment. It's concerned another player could arrive on the market and secure the five billion dollars from the Federal Government to roll out broadband across Australia.

But other analysts disagree. Mark McDonnell is a senior analyst with BBY.

MARK MCDONNELL: Telstra's performance relatively, has been very strong. Certainly much stronger than the banks for example.

BRIGID GLANVILLE: How much better?

MARK MCDONNELL: We've seen broad declines in the market of 30 to 35 per cent for many stocks including very large companies, iconic brands, major banks and so on. Telstra is a little down off its highest but has held up remarkably well.

BRIGID GLANVILLE: Investors should receive their reminder letters this week.

TONY EASTLEY: Brigid Glanville reporting.

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Background

Established in 1987, BBY has offices in Sydney, Melbourne and London and has US investment bank Jefferies & Co Inc as an equity partner. BBY's core businesses include corporate finance, research, sales and trading and asset management.

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