2 February 2018

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra announces Ooyala impairment

In accordance with the Listing Rules, I attach a market release for release to the market.

Yours faithfully

Sue Laver
Company Secretary

MARKET RELEASE

Telstra announces Ooyala impairment

2 February 2018 – Telstra today announced it expects to make a non-cash impairment and write down the carrying value of Ooyala, its US-based intelligent video business, to zero.

Following completion of its impairment testing process for the half year ended 31 Dec 2017, Telstra expects to recognise an impairment charge of A$273 million against goodwill and other non-current assets in its results for that period to write the company value down to zero. This is subject to Audit and Risk Committee and Board review and approval.

Telstra acquired 9 per cent of Ooyala in 2012 increasing its holding to 98 per cent in 2014 as part of a broader strategy to provide end-to-end solutions for broadcasters and over-the-top companies. Telstra identified challenges in the business and changing market dynamics 18 months ago and impaired the business at the time of its 2016 results.

Telstra Group Executive Technology, Innovation and Strategy, Stephen Elop, who is also Chairman of the Ooyala Board, said there had been substantial efforts over the past 18 months to improve the business performance.

“This was a business that Telstra purchased when the market dynamics were very different. When we announced the initial impairment 18 months ago we indicated that we would be working closely with the team to turn around the performance. We believed Ooyala remained a young and exciting company with leading offerings in intelligent video which were continuing to evolve and scale,” Mr. Elop said.

“While some of these initiatives have been successful, the market has continued to change.

“There are three key parts of the Ooyala business – ad tech, OVP (video player) and a workflow management system (Flex media logistics). Ad tech, has not performed well and we will therefore seek ways to exit that part of the business.

“Importantly we do see a future in the other core parts of the Ooyala business – video player and the workflow management system. The new Ooyala management team is making positive progress through improved booking trends, product quality and reduced customer churn. However the business has yet to achieve sufficient scale.

“We nevertheless believe it is appropriate to impair all of the goodwill associated with the business. From here we will sharpen Ooyala’s focus by exiting ad tech and focusing on the underlying video platform and continuing to serve our customers. We will increase emphasis on our differentiated Flex media logistics product and we will drive operational efficiencies and leverage our go to market partnerships with companies such as Microsoft.

“In addition we will remain alert for broader strategic options for Ooyala in a market fragmented across multiple providers.”

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