

Market Announcements Office
Australian Securities Exchange
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Sydney NSW 2000

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TPG Telecom Limited Results for Year Ended 31 December 2020 – Media Release

Please find attached for immediate release to the market a Media Release concerning TPG Telecom Limited's financial results for the year ended 31 December 2020.

Authorised for lodgement with the ASX by:



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TPG Telecom announces full year results for 2020, declares maiden dividend

Highlights

- Generated \$342 million of net cash flow¹ in first six months post-merger
- Declared maiden dividend of 7.5 cents per share
- Revenue, EBITDA and NPAT resilient despite ongoing NBN migration, mobile competition and COVID impacts
- Grew fixed broadband base by 6 per cent with 117,000 net subscriber additions
- Highest seller of NBN Enterprise Ethernet since July 2020
- 5G live in more than 350 suburbs in Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra, Gold Coast and Newcastle
- Merger synergy program on target

Thursday 25 February – TPG Telecom Limited (ASX: TPG) (TPG Telecom) today released its full year results for the twelve months ended 31 December 2020, reporting a net profit after tax of \$734 million.

With \$342 million of net cash flow generated in the first six months post-merger, the TPG Telecom Board has declared a maiden dividend of 7.5 cents per share.

Chief Executive Officer and Managing Director Iñaki Berroeta said the 2020 results demonstrate that TPG Telecom has delivered for customers and shareholders during a challenging year, while commencing its COVID recovery.

“In 2020, we completed the merger and delivered on our promises to customers and shareholders in the most trying year for Australia’s economy and society in decades, while managing a number of significant regulatory challenges,” Mr Berroeta said.

“We drove increased competition in the market, supported our customers and employees through COVID, accelerated our 5G rollout, made solid progress on integration activities, reduced debt, and declared a maiden dividend of 7.5 cents per share.

“Our results are pleasing given we were not only managing COVID impacts, NBN headwinds and aggressive market competition, we were also regaining ground following uncertainty around the merger delay and the 5G vendor restrictions.

“I’m proud of the way we supported our customers through 2020, including our \$10 Stay Connected plan, free mobile data and calls, and a two-month bill waiver for frontline healthcare workers.

“As we move into 2021, we are building on momentum gained in the final quarter of 2020, continuing our merger integration plans, our 5G mobile network is on track to reach scale in the top six cities by the end of the year, and we will begin offering 5G fixed wireless services in the first half.”

¹ Excludes merger transaction costs.



2020 financial results

Notwithstanding the impact of COVID, especially global travel restrictions, continued NBN headwinds, ongoing mobile competition as well as regulatory challenges, TPG Telecom's results were relatively resilient.

Reported results for 2020 include a full twelve months of the company formerly known as Vodafone Hutchison Australia (VHA) and a contribution of six months and four days from TPG Corporation Limited (TPG Corporation) (the company formerly named TPG Telecom) post the merger accounting effective date of 26 June 2020.

Reported revenue increased 24 per cent from 2019 to \$4.35 billion and reported EBITDA increased by 18 per cent to \$1.39 billion.

On a pro forma basis, which calculates figures to simulate what the Group's results would have been if the merger had been effective throughout 2020 and 2019, revenue decreased by six per cent to \$5.52 billion and EBITDA decreased by 10 per cent to \$1.79 billion.

Reported NPAT was \$734 million, which includes a one-off, non-cash credit to income tax expense of \$820 million. On a pro forma basis, NPAT decreased 10 per cent to \$282 million.

Customer demand for telecommunications services remains strong due to continued growth in online activities such as video streaming and working from home arrangements.

TPG Telecom has grown its share of the fixed broadband market. The company's subscriber base increased six per cent from 2019 to 2.17 million, representing net growth of 117,000. The company's NBN base increased 28 per cent to 1.90 million with 415,000 net subscriber growth as the NBN migration nears completion.

The company's mobile customer base was impacted by the absence of overseas visitors and migrants to Australia, especially international students, due to global travel restrictions.

Postpaid mobile customers declined five per cent to 3.26 million from 3.42 million. Postpaid ARPU decreased 5.1 per cent to \$40.90 due to the decline in international roaming revenue and aggressive market competition.

In addition to global travel restrictions, the company's prepaid base was impacted by the company's inability to compete aggressively due to uncertainty around the merger delay and the 5G vendor restrictions. Prepaid mobile customers decreased 22 per cent to 1.97 million from 2.52 million.

"We saw improved performance in our postpaid base in the final quarter of 2020 in response to our Infinite Data plans and a strong iPhone 12 launch, coupled with our 5G TV and digital campaign as the official sponsor of Cricket Australia's Summer of Cricket," Mr Berroeta said.

Corporate segment pro forma revenue declined by seven per cent, due primarily to COVID impacts, price erosion and loss of low-margin NBN wholesale business. However, sales momentum remained strong and TPG Telecom became the highest seller of NBN Enterprise Ethernet to complement our strong on-net fibre sales. Corporate pro forma EBITDA margin also improved two percentage points to 50 per cent.



Confidence in underlying strength for post-COVID recovery

TPG Telecom estimates the financial impact of COVID during 2020 was approximately \$90 million to reported EBITDA, in addition to NBN and regulatory headwinds.

“Despite COVID and regulatory challenges which have disproportionately impacted us, we saw improved momentum in mobile in the final quarter of 2020 and we are optimistic about continued recovery in 2021,” Mr Berroeta said.

“Our 5G rollout is ramping up across major cities, we launched our digital-native brand felix, and take-up of our competitive Infinite Data plans has been encouraging.

“Market competition remains very aggressive, and while it’s great news for customers as they are receiving more for less, it’s a challenge for mobile network operators who make significant ongoing infrastructure investments.

“To support our growth strategy in 2021, our 5G rollout will reach scale in the top six cities, we will start offering 5G fixed wireless services, we will maintain strong brand value and there will be increased focus on our customer base to encourage multi-service take-ups.”

5G fixed wireless testing commences, 5G network live in 350 suburbs

TPG Telecom has announced it has commenced testing 5G fixed wireless devices using its 3.6 GHz spectrum and is on track to begin offering services to customers in the first half of 2021.

“Over the coming months, we will be testing the customer journey and experience to ensure we deliver an exceptional product to our customers,” Mr Berroeta said.

It comes as the company accelerates its 5G network rollout, with 5G services now available in more than 350 suburbs in Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra and Gold Coast, as well as Newcastle.

“Since November, over three quarters of our postpaid handset sales were 5G-capable devices, and we now have more than 425,000 5G-enabled smartphones on our mobile network,” Mr Berroeta said.

“We’re on track to reach our goal of 85 per cent 5G population coverage in the top six cities by the end of the year.

“Our network team is currently working on another 1,600 sites and we will roll them out to customers as soon as possible.”



Merger synergy program on target

TPG Telecom has made solid progress on merger integration activities and is targeting \$70 million of cost synergies across the Group in 2021, which excludes the contribution from fixed wireless services and revenue synergies from cross-selling.

2020 progress included:

- Finalisation of Executive team;
- Integration of the two legacy businesses under a unified management team;
- Deployment of 1800 MHz spectrum to benefit 1.8 million Australians;
- Nearing completion on program to integrate almost 400 small cells into the mobile network;
- Ahead of schedule on program to connect dark fibre to an additional 700 mobile sites;
- Around 60 per cent of iiNet mobile customers migrated to the company's mobile network;
- Strong start to combined Enterprise team which won several major tenders including with NAB to provide fixed and mobile services.

"We are better together, and as a result of the integration work we have completed so far, consumers and Enterprise customers are already benefiting from enhanced network services and stronger competition," Mr Berroeta said.

Our year ahead

TPG Telecom heads into 2021 with increased confidence amid continued uncertainty due to COVID, as well as ongoing NBN headwinds and the introduction of the Regional Broadband Scheme (RBS) levy.

"While we are in a stronger position to respond to aggressive competition in the market and mitigate headwinds, we will continue to be impacted by global travel restrictions, NBN margin erosion and the new RBS levy," Mr Berroeta said.

The company expects the decline in international roaming and international visitor revenue to continue to impact financial performance throughout 2021. It also expects total NBN headwinds of approximately \$60 million and an \$11 million negative impact from the RBS levy for the year.

"To offset these headwinds, we will work to service more customers with fixed wireless and other on-net services, continue to improve performance in mobile, grow Enterprise and Government, and realise significant merger synergy cost savings," he said.

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