

Market Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Sydney, 24 August 2023

TPG Telecom Limited Results for Half-Year Ended 30 June 2023 – Media Release

Please find attached for immediate release to the market a Media Release concerning TPG Telecom Limited's financial results for the half-year ended 30 June 2023.

Authorised for lodgement with ASX by:

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HY23 results: strong first-half result drives update to earnings guidance as TPG transformation continues

- Service revenue up 4.5 per cent to \$2,288 million
- EBITDA up 12.4 per cent to \$941 million
- Strong outcome from recent \$2.5 billion bank debt refinancing
- Potential to unlock value of fixed infrastructure and enterprise operations
- EBITDA guidance upgraded to between \$1,925 million and \$1,950 million¹

24 August 2023 – TPG Telecom Limited (ASX: TPG) (**TPG Telecom** or the **Company**) today released its half year results for the six months ended 30 June 2023 (**HY23**), reporting 12.4 per cent growth in EBITDA as the Company continued to increase service revenue and maintained cost discipline.

Chief Executive Officer and Managing Director, Iñaki Berroeta, said: "Our focus on executing against our growth and transformation priorities has produced another set of solid results. We expect to deliver a strong full-year performance as we drive growth across the business, accelerate simplification for our customers, and deliver value to shareholders."

Financial results

TPG Telecom reported service revenue of \$2,288 million in HY23, up 4.5 per cent on HY22.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 12.4 per cent to \$941 million, including transformation costs of \$16 million and transaction costs of \$17 million.

Net profit after tax (NPAT) was \$48 million, compared to \$167 million in HY22. NPAT in HY22 included a one-off tax benefit of \$110 million arising from the recognition of capital tax losses in anticipation of the Company's tower assets sale, completed in July 2022. Excluding customer base amortisation and tax benefits disclosed in the prior corresponding period, NPAT was \$104 million in HY23, compared to \$113 million in HY22.

Dividend

TPG Telecom has declared a fully franked interim dividend of 9.0 cents per share, translating to a payout ratio of 52.3 per cent of Adjusted NPAT of \$320 million, in line with TPG Telecom's policy to pay out at least 50 per cent of Adjusted NPAT².

¹ Assuming no material change to operating conditions. Guidance now absorbs \$20 million to \$25 million of one-off transaction costs relating to strategic projects, of which \$17 million was incurred in HY23, but excludes other transformation costs now estimated at \$35 million to \$40 million, of which \$16 million was incurred in HY23. Guidance excludes any impact of material one-offs, mergers and acquisitions, disposals, impairments, spectrum and such other items as determined by the Board and management.

² Adjusted NPAT adds back restructuring costs, customer base intangible amortisation, spectrum amortisation and non-cash tax expense.



Operating performance

TPG Telecom recorded a net increase in Mobile subscribers of 39,000 for the first six months of 2023 reflecting normalisation relative to the strong growth of 2022, which was driven largely by the reopening of international borders. TPG Telecom reported a total of 5.32 million mobile customers at the end of HY23.

Average revenue per user (ARPU) for Mobile increased 2.8 per cent to \$33.0 per month, driven by a 6.2 per cent increase in Postpaid ARPU to \$44.6 per month, reflecting the initial benefits of TPG Telecom's refreshed pricing plans, announced earlier this year.

TPG Telecom's total Fixed customer base declined 43,000 to 2.18 million as the company continued its focus on improving margins. Take-up of TPG Telecom's Fixed Wireless services continued to grow, with the addition of 38,000 new subscribers, taking the total customer base to 209,000.

Average margin per user (AMPU) in Fixed broadband grew 20.4 per cent to \$25.4 per month, reflecting the strong growth in Fixed Wireless subscribers and modest repricing for some NBN plans.

Mr Berroeta said: "The popularity of our award-winning 4G and 5G Home Internet plans has not diminished. The growth of our Fixed Wireless services has increased the profitability of our Fixed broadband business and shows that consumer appetite for no-fuss, great value connectivity remains strong."

TPG Telecom's Enterprise, Government and Wholesale business recorded revenue of \$557 million, including underlying growth of 3.1 per cent and the inclusion, for the first time, of wholesale revenue from Vision Network. The underlying growth was underpinned by uptake of TPG Telecom's on-net Fast Fibre and NBN Enterprise Ethernet solutions. New customer wins included Village Roadshow and Healius.

Debt refinancing

In July and August 2023, TPG Telecom put in place \$2.5 billion of new debt facilities, replacing all of the Company's debt maturing in FY24 and a portion of its debt maturing in FY26 and extending the maturity and diversity of its borrowings. The new facilities comprise \$2.0 billion of syndicated bank debt facilities including four, five and seven-year tranches and a \$500 million, six-year Asian Institutional Term Loan. TPG Telecom received strong demand from lenders and was able to secure pricing consistent with the defensive characteristics of its cash flows.

Customer experience simplification

Following an extensive planning process, TPG Telecom has moved into execution of a multi-year program to simplify its brand portfolio, rationalise products and customer journeys, increase digitisation and streamline internal systems and platforms.



Mr Berroeta said: "Designed in accordance with our ambition to be Australia's best telco, the streamlining of our products, services and platforms will make us leaner, nimbler, and further strengthens our ability to deliver the simple, great value connectivity services our customers need."

From FY27 onward, the program is expected to deliver net cash benefits of approximately \$140 million per annum compared to FY23, split relatively evenly across capital expenditure savings and EBITDA gains from improved gross margin and lower operating costs.

Capital expenditure for the program will be funded within TPG's previously communicated expectations of approximately \$1 billion of capex per annum to the mid-2020s, and will amount to approximately \$80 million in each of FY24 and FY25. The operating cost impact of the program will be approximately \$15 million to \$20 million per annum in each of FY24 and FY25.

Mobile network update

TPG's national 5G rollout is on schedule with more than 2,500 mobile sites upgraded to 5G. TPG has now upgraded to 5G, over half of its approximately 5,000 sites in metropolitan population areas (the area covering 80 per cent of the population). Upgrades to the rest of the Company's metropolitan sites are scheduled to be complete by the end of 2026.

On 14 August 2023, TPG Telecom confirmed it would not seek a judicial review in the Federal Court of the Australian Competition Tribunal determination to decline to authorise a network sharing arrangement with Telstra in regional Australia.

As a result of the decision, TPG Telecom is planning to upgrade to 5G approximately 250 additional sites within the 80 per cent to 90 per cent population area.

Mr Berroeta said: "Mobile network sharing remains the most economically sustainable solution for increased connectivity in regional Australia and we continue to explore commercial options to expand our mobile network, which currently covers 96% of Australians. TPG will continue to advocate for sensible policy reform to deliver the essential communications services and competition regional Australia deserves."

Unlocking value from fixed infrastructure

On 1 August, TPG Telecom announced it had received an indicative, highly conditional, non-binding offer from Vocus Group to acquire certain of TPG's Enterprise, Government and Wholesale assets and associated fixed infrastructure assets, for approximately \$6.3 billion, and had granted exclusive due diligence to Vocus until 6 September 2023.

Mr Berroeta said: "The Vocus offer reflects the strong performance of TPG Telecom's fixed infrastructure assets and business serving enterprise, government and fixed wholesale customers, the intrinsic value of which has not been reflected in our share price to date. We are considering the offer in line with our commitment to unlock value for shareholders."



The indicative offer is conditional upon a number of matters, including due diligence, debt financing, finalisation of transaction documentation, and approvals of the respective Boards of TPG and Vocus Group. The TPG Telecom Board has not made any decision to accept any offer, and there is no certainty an agreed transaction will eventuate. If a transaction is able to be agreed, it would remain subject to a range of conditions, including relevant regulatory approvals.

Outlook

TPG Telecom has upgraded its FY23 guidance range following the strong first-half result. Assuming no material change in operating conditions, TPG Telecom expects FY23 EBITDA guidance to be between \$1,925 million and \$1,950 million, which is the top quartile of the previous range. The EBITDA guidance range now includes transaction costs of between \$20 million and \$25 million (of which \$17 million occurred in the half), but continues to exclude any other material one-offs, and transformation costs now estimated at between \$35 million and \$40 million, down from original guidance of \$50 million.³

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