

TPG TELECOM LIMITED (ASX: TPM)

FINANCIAL RESULTS COMMENTARY

HALF YEAR ENDED 31 JANUARY 2014

TPG Telecom increases half year NPAT by 15% over 1H13

- **Underlying EBITDA up by 19%**
- **Guidance upgraded**

Reported Results

TPG Telecom Limited has today announced its financial results for the half year ended 31 January 2014 ("1H14").

- Net Profit After Tax ("NPAT") for the period was \$90.1m, an increase over 1H13 of 15%.
- Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period increased by 8% to \$165.6m.
- Earnings per share ("EPS") increased by 15% to 11.4 cents per share.
- Free cashflow increased by 25% to \$103.1m.
- Interim dividend per share increased by 29% to 4.5 cents per share.

Underlying EBITDA growth

As reported last year, the results for the previous corresponding period (1H13) included favorable non-recurring items amounting to \$20.5m.

The results for 1H14 have also benefitted from a number of favorable non-recurring items, but amounting to only \$6.6m.

Excluding these items from both the current and previous corresponding periods, the Group's underlying EBITDA for 1H14 has increased by 19% relative to 1H13.

Consumer business

The Consumer division's EBITDA for the period was \$100.2m which includes \$1.0m of non-recurring benefits arising from a retrospective supplier credit. As reported last year, the division's EBITDA for 1H13 of \$94.8m benefitted from \$10.0m of back-dated rebates arising from favorable regulatory determinations that occurred in that period. The Consumer division's underlying EBITDA growth for 1H14 relative to 1H13 is therefore \$14.4m or 17%. This has been driven by ongoing organic broadband subscriber growth as well as an increase in contribution per subscriber arising from continued tight cost control and an uplift in ARPU (average revenue per user) from subscribers to the Group's home phone bundle plans.

The Group's consumer broadband subscriber base grew by 36,000 in the half year, which is consistent with the growth achieved in the same period last year. The growth in 1H14 continued to be driven by TPG's 'ADSL2+ with Home Phone' bundle plans which grew by

61,000 subscribers in the 6 month period. This increase was partially offset by a decline in standalone on-net (16,000) and off-net (9,000) subscribers.

As at 31 January 2014 the Group had 707,000 broadband subscribers and 370,000 mobile subscribers.

Corporate business

The Group's Corporate division achieved an EBITDA of \$64.5m for the period. This result includes \$5.6m of non-recurring benefits (comprising \$4.0m of back-dated supplier credits and a \$1.6m IRU gain). As reported last year, the division's 1H13 EBITDA of \$57.5m included a \$10.5m IRU gain. The Corporate division's underlying EBITDA growth for 1H14 relative to 1H13 is therefore \$11.9m or 25%. This growth has been achieved through revenue growth as well as an improvement in underlying margin from 41% to 49%.

Cashflow

The Group's cashflow was again very strong; \$178.2m cash was generated from operations (pre-tax), and free cashflow for the half year was \$103.1m, allowing the Group to repay its remaining debt as well as to pay an increased dividend.

Dividend

In light of the Group's strong cashflow and earnings growth, the Board of Directors has declared an increase to the interim FY14 dividend by 29% to 4.5 cents per share (fully franked), payable on 20 May 2014 to shareholders on the register at 15 April 2014.

Acquisition of AAPT

During the period, on 8 December 2013, the Group entered into a Share Sale Agreement to acquire 100% of Telecom New Zealand Australia Pty Ltd and its subsidiaries which include AAPT ("AAPT") for cash consideration of A\$450m on a debt-free and cash-free basis. The acquisition was completed and the consideration paid after the period end, on 28 February 2014, and has therefore had no impact on the 1H14 results.

The acquisition was funded through a combination of debt and cash reserves. Following the acquisition the Group's debt to annualised EBITDA leverage ratio is less than 1.1x.

FY14 Guidance

The directors have upgraded the Group's FY14 EBITDA guidance (excluding AAPT) from \$290-300m to a new estimated range of \$325-330m. AAPT is expected to contribute EBITDA of \$15-25m (net of one-off acquisition and integration related expenses of \$7-12m) for the 5 months from date of acquisition to 31 July, giving an estimated FY14 EBITDA range for the merged Group of \$340m-355m.

David Teoh
Executive Chairman
25 March 2014