

**TPG TELECOM LIMITED (ASX: TPM)**

**FINANCIAL RESULTS COMMENTARY**

**YEAR ENDED 31 JULY 2015**

**TPG Telecom reports 31% increase in Net Profit After Tax**

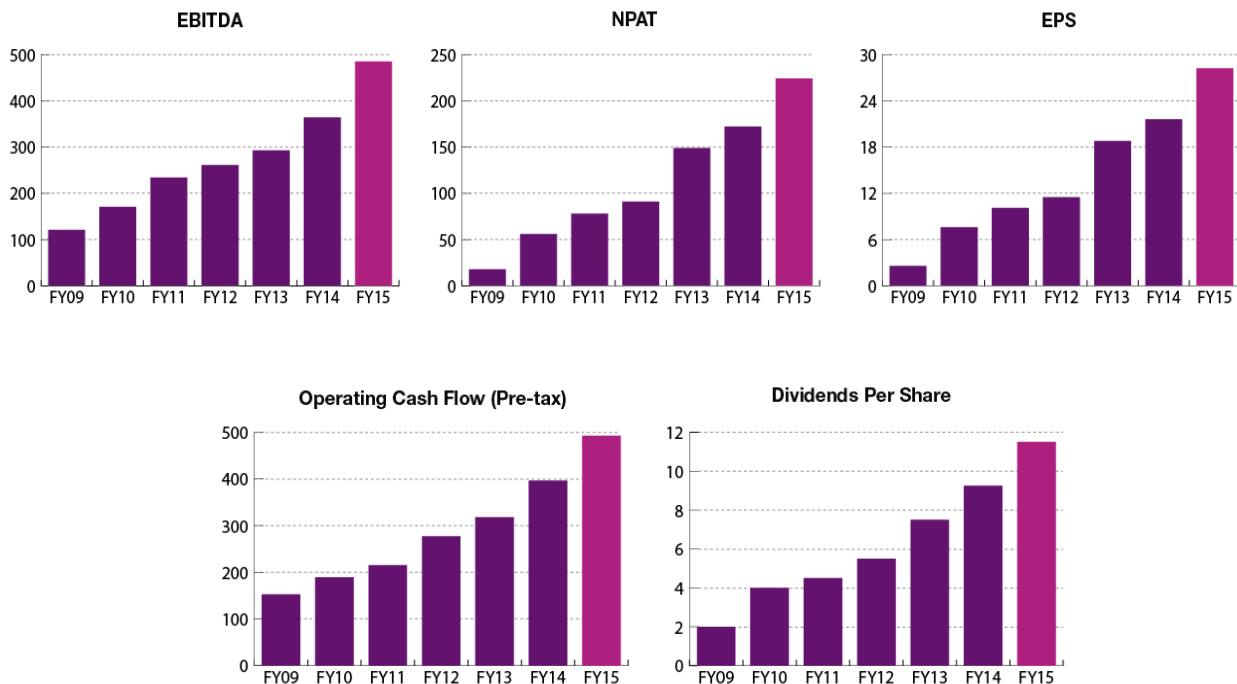
- **EBITDA up by 33%**
- **Seventh consecutive year of strong growth**

**Reported Results**

TPG Telecom Limited has today announced its financial results for the year ended 31 July 2015 ("FY15").

- Net Profit After Tax ("NPAT") for the year was \$224.1m, an increase over FY14 of 31%.
- Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year increased by 33% to \$484.5m.
- Earnings per share ("EPS") increased by 31% to 28.2 cents per share.
- An increased final dividend of 6.0 cents per share has been declared bringing total FY15 dividends to 11.5 cents per share (fully franked), an increase of 24% over FY14.

These results represent the seventh consecutive year of strong growth for the Group.



## Consumer business

The Consumer Division's EBITDA for FY15 was \$239.7m compared to \$205.6m for FY14. The FY15 result contains no material irregular items (the FY14 result was last year reported as including \$3.3m of non-recurring benefits) therefore the Consumer Division's underlying EBITDA growth for FY15 relative to FY14 is \$37.4m or 18.5%. This has been driven by ongoing organic broadband subscriber growth as well as an increase in EBITDA contribution per broadband subscriber.

The Group's consumer broadband subscriber base grew by 73k in the year compared to 77k growth achieved in the prior year. However, this growth excludes FTTB subscribers who now acquire FTTB services through wholesale customers of the Group. The composition of the FY15 Consumer Division net subscriber growth was 31k ADSL and 42k NBN.

As at 31 July 2015 the Group had 821k broadband subscribers and 320k mobile subscribers.

## Corporate business

The Group's Corporate Division achieved EBITDA of \$242.3m for the year compared to \$159.0m for FY14 representing growth of \$83.3m or 52.4%.

A large component of this EBITDA growth was derived directly from the acquisition of AAPT which contributed a full 12 months to the Group's FY15 results compared to only 5 months in FY14. If AAPT had have been owned by the Group for the whole of FY14, the extra 7 months would have contributed an additional \$40.8m EBITDA (based on AAPT's pre-acquisition annualised EBITDA run-rate of ~\$70m<sup>1</sup>). This implies that \$42.5m of the \$83.3m EBITDA growth achieved by the Corporate Division in FY15 is attributable to organic revenue growth and EBITDA margin expansion post acquisition of AAPT.

## Cashflow

The Group delivered another strong cashflow result in FY15, with \$492.8m cash generated from operations (pre-tax) and free cashflow after tax, capex and interest for the year of \$213.8m.

This free cash was deployed to pay for equity investments of \$115.6m (investments in Covata and Amcom both already disclosed during the period), to make debt repayments of \$21m, as well as to pay increased dividends to shareholders of \$81.4m.

## Acquisition of iiNet

On 7 September 2015 the Group completed its acquisition of the iiNet Group. The acquisition was implemented through a scheme of arrangement under which the Group acquired all of the share capital in iiNet Limited that it did not already own.

The consideration transferred to iiNet shareholders comprised cash consideration of \$1,156.8m and share consideration comprising 23,212,554 TPG Telecom Limited shares with an acquisition date fair value of \$211.2m (determined by reference to TPG's volume weighted average share price on the date of change of control).

In addition, immediately prior to completion, iiNet shareholders were paid a discretionary special dividend amounting to \$106.7m (net of \$7.0m which was paid to the Group) which was funded through a loan to iiNet by the Group.

<sup>1</sup> Unaudited – refer to page 4 of the 9/12/13 TPG investor briefing lodged with ASX

In order to fund the acquisition the Group entered into revised debt facility agreements with a syndicate of banks in August 2015. The facilities, which total \$1,960m, were used to fund the cash consideration, the discretionary special dividend and to refinance the Group's and iiNet's existing bank debt.

As the change in control occurred subsequent to 31 July 2015 there has been no contribution from iiNet to the Group's FY15 results.

### **Dividends**

In light of the Group's strong FY15 cashflow and earnings growth, the Board of Directors has declared an increased final FY15 dividend of 6.0 cents per share (fully franked) payable on 17 November 2015 to shareholders on the register at 13 October 2015, bringing total FY15 dividends to 11.5 cents per share (fully franked), an increase of 24% over FY14.

### **FY16 Outlook**

The directors anticipate continued organic growth for the Group in FY16.

However, as only a few weeks have elapsed since the completion of the acquisition of iiNet, it is not yet possible to forecast with sufficient certainty the likely financial results for the combined group for the year ahead and, therefore, no specific guidance is yet provided for FY16.

David Teoh  
Executive Chairman  
22 September 2015