

TPG Telecom Results Presentation

For the half year ended 30 June 2021



Acknowledgement of country



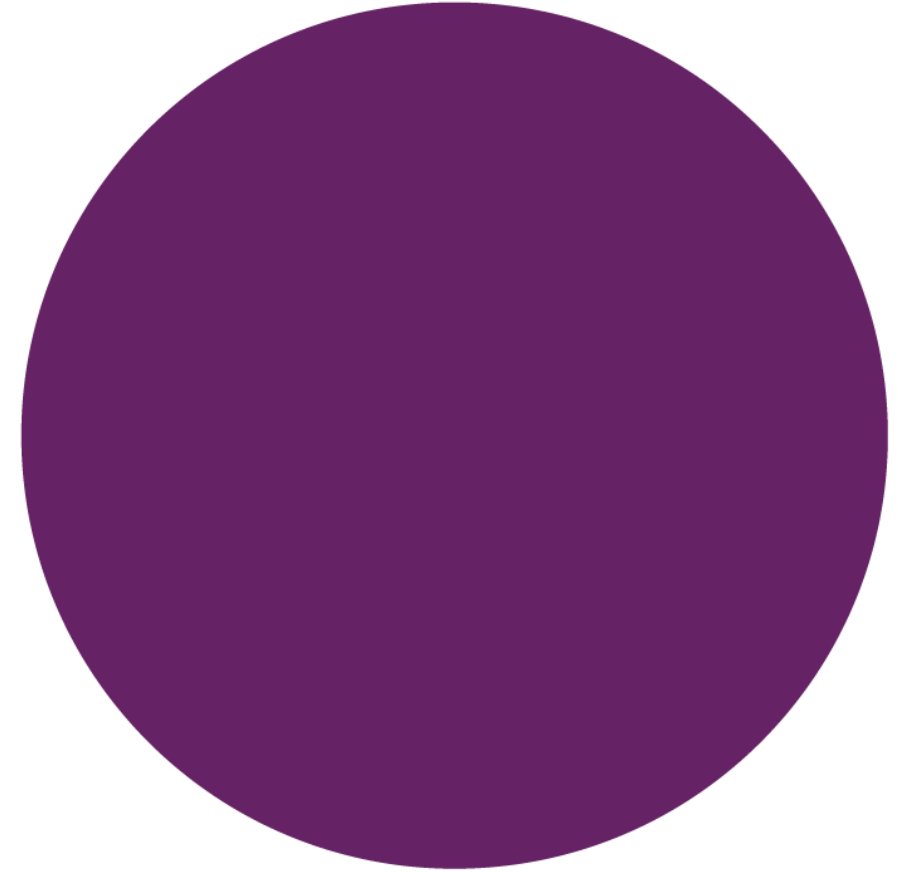
TPG Telecom acknowledges the Traditional Custodians of Country throughout Australia and the lands on which we, and our communities live, work and connect.

We pay our respects to their Elders, past, present, and emerging.

HY21 Update

Iñaki Berroeta

Chief Executive Officer
and Managing Director



HY21 Performance overview

Solid performance amid continuing headwinds

Strong earnings performance and cost management

- Revenue of \$2.63 billion
- EBITDA of \$886 million
- NPAT of \$76 million

Improved segment trends, driving more on-net

- Increased fixed broadband subscriber base to 2.2 million, with on-net subscribers up 12% in six months
- Mobile base performance improved over last four quarters
- Strong Fast Fibre and Enterprise Ethernet revenue growth

Synergies realisation on track

- \$38 million out of targeted \$70 million in cost synergies for 2021 realised in first six months

Improved debt terms

- Refinanced \$5.25 billion of debt, with improved margins and extended maturity dates

Generating returns to shareholders

- Interim dividend of 8.0 cents per share

HY21 Operational highlights

Delivering on our strategic priorities

Brought more customers onto our own infrastructure

- Launched 5G home wireless & accelerated 4G home wireless growth
- Commenced HFC & VDSL high speed upgrade program
- Maximising value of FTTB footprint

5G mobile rollout accelerates in 2021

- 5G in 700+ suburbs
- 750,000+ 5G enabled devices on network
- More capacity with acquisition of 26 GHz mmWave spectrum and additional 3.6 GHz spectrum

Commenced initiatives to maximise the value of our brands

- Leading MNO postpaid plans and device offers
- Revamped inclusions on prepaid plans
- Cross-selling activities to increase share of households

Completed phase one of organisational design

- Company purpose, culture and values launched
- Key commercial Executive appointments
- Harmonised benefits and experience for Australian-based corporate employees

Made inroads in Enterprise and Government

- Signed large contracts to provide fixed and mobile services
- Fast Fibre services increased 24%
- Ranked #1 for NBN Enterprise Ethernet sales orders and active services

Becoming a more responsible and sustainable business

- Published first Sustainability Report
- Committed to powering Australian operations with 100% renewable electricity by 2025
- Launched Gender and Reconciliation Action Plans, and LGBTQI initiatives

Merger synergy program

Cost synergy progress on track

Short term:

Delivering 2021 full year cost synergies target of \$70m¹

\$38 million in HY21 synergies delivered through:

- iiNet customers migrated onto our mobile network
- Optimisation of network backhaul and transit arrangements, including 750km of dark fibre built and connected to mobile network
- Streamlined opex and other duplicated costs

Medium term:

Building to cost synergies target of ~\$125-150m¹ annual savings by 2023

Incremental synergies to be delivered through:

- Further operational integration and company design
- Property and data centre consolidation
- System and application rationalisation
- Technology support and operations
- Other third party spend

Notes

1. Excludes fixed wireless opportunity and revenue synergies.

Building a smarter, modern 5G network



More advanced 5G

- Full equipment upgrade on each site giving flexibility and scalability for future 5G spectrum deployment
- Increased agility and cost benefits from fully virtualised network core
- 5G coverage to triple when 5G standalone core deployed in late 2021



Smartest 5G deployment

- Faster, more cost-effective rollout
- Safer and more sustainable
- Current run rate of 100 sites per month
- 1,000 5G sites by end of 2021



Enviably 5G spectrum

- Best 5G C-Band spectrum holdings in 4 of the top 6 cities¹
- Full deployment of 3.6 GHz and 700 MHz spectrum by end of 2021
- Acquired 400 MHz of 26 GHz spectrum nationwide for future 5G capacity

Notes

1. Pending ACCC approval.

Merger integration roadmap

Foundational phase now complete

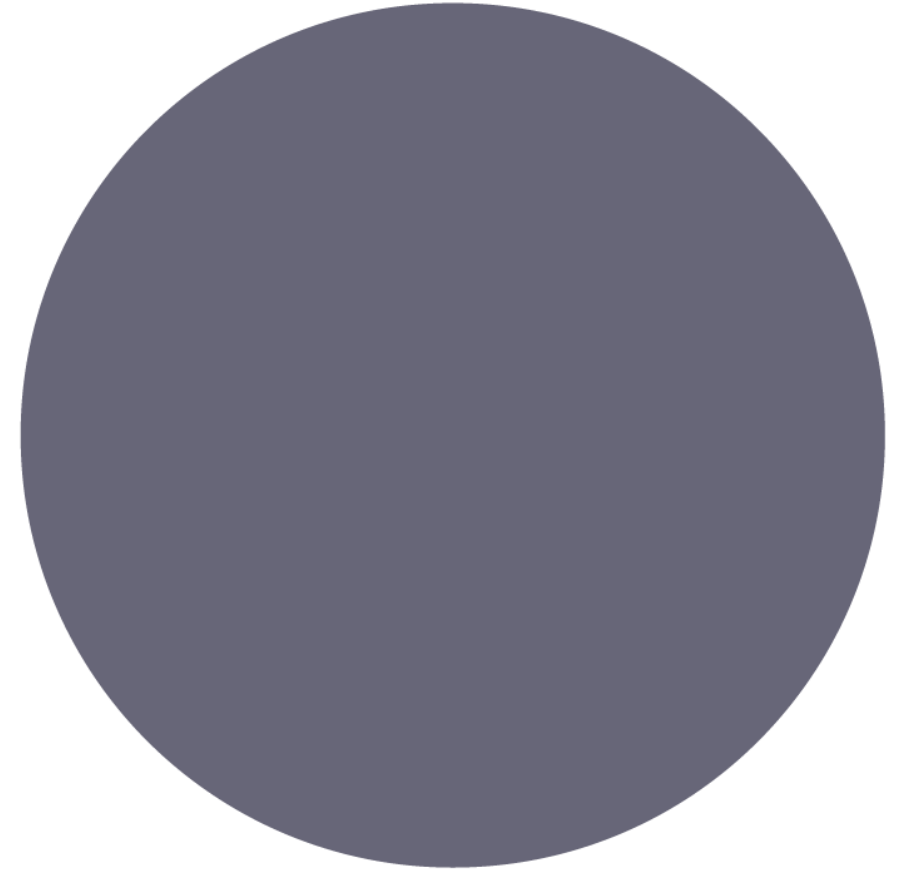
	2H20	2021	2022	2023
	Phase One: Foundational		Phase Two: Acceleration of value creation	
Organisation & Corporate Responsibility	Post-merger leadership structure & initial organisational design	Optimise operating model & organisational effectiveness		
	Launch culture, values & leadership program	Embed culture & values, increase leadership capability		
	Increased commitment to sustainability, diversity and inclusion			
Products & Brands	Post-merger product enhancements	Cross-sell fixed and mobile products across our merged consumer, enterprise & government, and wholesale customer bases		
	Review of brands & legacy products	Implement multi-brand & product strategy		
On-net Fixed Services	Expand 4G and launch 5G home wireless	Roll out 5G home wireless		
	Invest in upgrades to HFC & VDSL networks			
	NBN customer migrations to on-net services			
Networks & Operations	Build & connect 750km of dark fibre	Continue to build & connect dark fibre, further optimise network backhaul and transit arrangements		
	Integrate spectrum & small cells			
	Rationalise data centres, property portfolio. Optimise contact centres			
Cost Synergies	Build IT strategy & transformation roadmap	Simplify IT; common ERP, retire legacy systems & applications		
	Target opex synergies of \$70m in 2021	Target annual opex synergies of \$125-150m by 2023		

HY21 summary

- Solid HY21 earnings result amid continuing headwinds
- Post-merger foundational phase complete
- 5G mobile rollout and synergies program on track
- Launched 5G home wireless, rapid early growth in 4G home wireless
- Improving subscriber trends

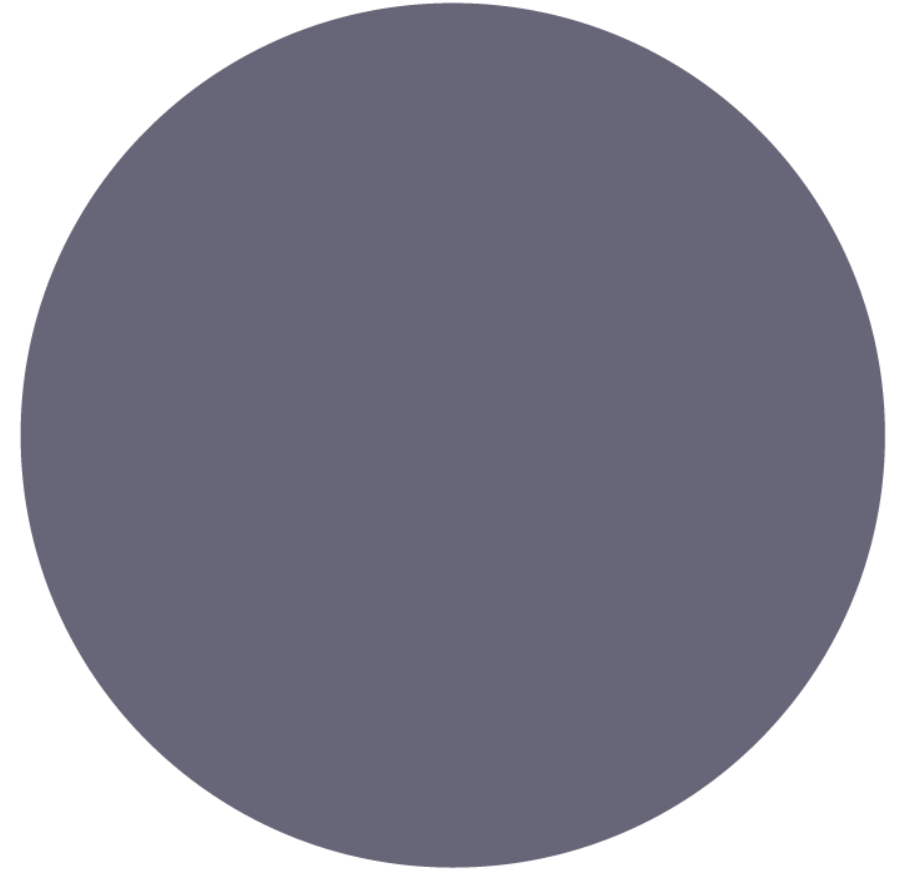
2021 Half Year Financial Results

Stephen Banfield
Chief Financial Officer



2021 Half Year Financial Results

- The merger of TPG Telecom Limited (formerly Vodafone Hutchison Australia Limited (VHA)) and TPG Corporation Limited (formerly TPG Telecom Limited) became effective for accounting purposes on 26 June 2020.
- A comparison of HY21 and HY20 reported results is consequently distorted by the fact that HY20 included only four days' contribution from TPG Corporation compared to a full six months in HY21.
- Therefore, in order to provide a more meaningful comparison, the following slides also include pro forma comparatives for HY20 which simulate what the group's results would have been if the merger had been effective throughout HY20.



Group Summary Results

		HY21 REPORTED	HY20 REPORTED	% CHANGE	HY21 UNDERLYING	HY20 PRO FORMA ²	% CHANGE
Revenue	\$m	2,630	1,540	71%	2,630	2,712	(3%)
EBITDA	\$m	886	531	67%	886	918	(3%)
NPAT	\$m	76	83	(8%)	132	140	(6%)
EPS	cps	4.1	19.0	(78%)	7.1	7.5	(6%)
Operating free cash flow	\$m	28	(280)	110%	28	(501)	106%
Dividends declared	cps	8.0	-	nmf	NA	NA	NA

Notes

1. The only difference between reported and underlying results for HY21 is that acquired customer base intangible amortisation has been excluded from the underlying results (as set out on slide 13).
2. The pro forma results for HY20 simulate what the group's results would have been if the merger had been effective throughout HY20. A detailed reconciliation between HY20 reported and pro forma results was included in the group's HY20 investor presentation which is available on the Company's website at tpgtelecom.com.au/investor-relations.

Reported Results

- The increase in reported revenue and EBITDA reflects the fact that HY20 includes only four days' contribution from TPG Corporation compared to a full six months' contribution in HY21.
- Comparison of HY21 and HY20 reported NPAT is also distorted by the fact that HY20 reported NPAT benefitted from a \$226m one-off accounting credit to income tax expense.

Pro forma Comparison

- \$32m (3%) decrease in HY21 underlying EBITDA primarily driven by:
 - adverse impacts of mobile subscriber decline, other COVID impacts and NBN margin headwinds; partially offset by
 - strong opex performance, including delivery of \$38m of opex merger synergies in HY21.

Dividend

- 8.0cps interim FY21 dividend declared, 7% increase on maiden FY20 dividend.

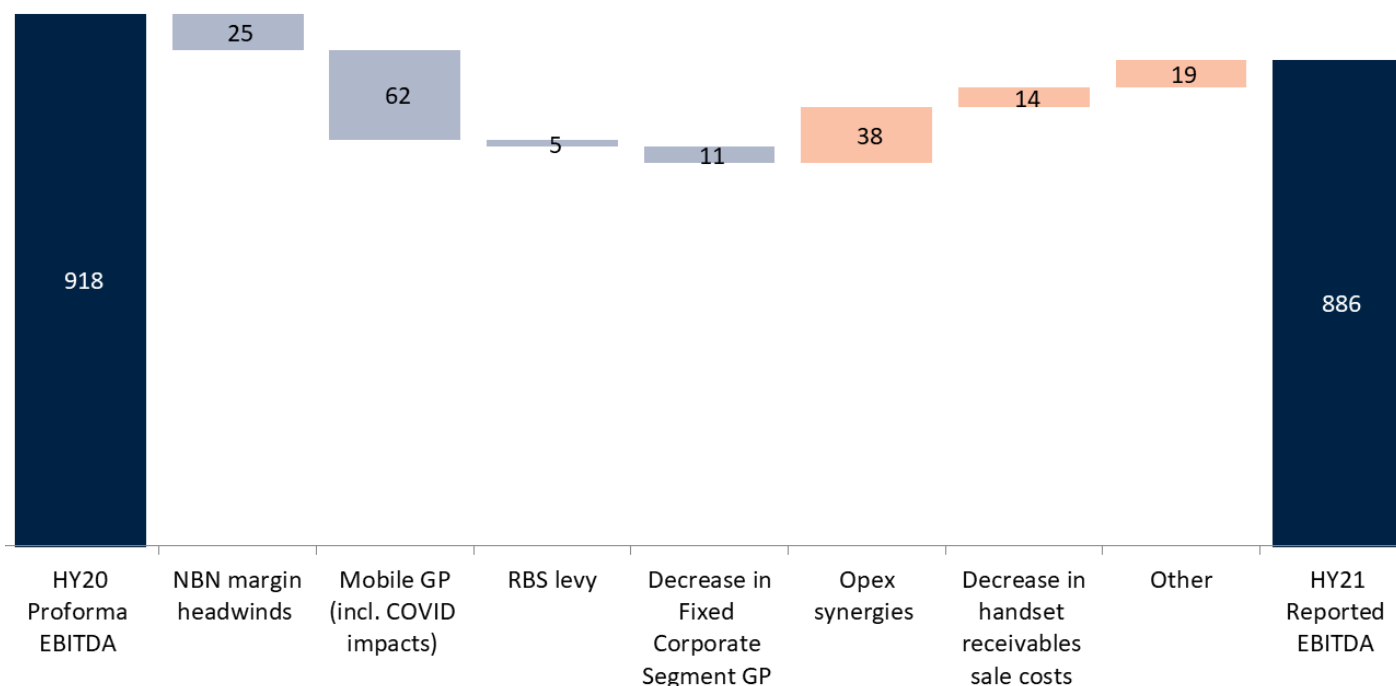
Income Statement Overview

\$m	Reported	Pro forma	Variance
	HY21	HY20	
Service revenue	2,195	2,345	(151)
Handset revenue	435	367	68
Total revenue	2,630	2,712	(82)
Other income	8	6	2
Telco costs	(973)	(1,007)	34
Cost of handsets sold	(413)	(364)	(49)
Gross Profit	1,252	1,347	(95)
Overheads	(366)	(429)	63
EBITDA	886	918	(32)
Customer base amortisation	(80)	0	(80)
Other depreciation and amortisation	(616)	(632)	16
EBIT	190	286	(96)
Net financing costs	(81)	(94)	13
EBT	109	192	(83)
Tax	(33)	(52)	19
NPAT	76	140	(64)
Handset GP (\$m)	22	3	19
Service GP (\$m)	1,222	1,338	(117)
Service GP %	55.7%	57.1%	-1.4pp
Overheads %	16.7%	18.3%	-1.6pp
EBITDA %	33.7%	33.8%	-0.1pp
EBITDA % (excl handset GP)	39.4%	39.0%	+0.4pp
Underlying NPAT	132	140	(8)

- Service revenue decrease in HY21 driven primarily by decline in mobile base (see revenue composition on slide 16). Increase in handset sales attributable to COVID lockdown impact in HY20.
- Drivers of \$32m decrease in EBITDA movement set out in EBITDA bridge on slide 14.
- Pro forma HY20 included Tech2 (revenue \$31m, telco costs \$14m, overheads \$14m), which was divested at the start of HY21.
- \$63m decrease in overheads in HY21 (\$49m excl Tech2 divestment) represents a decrease from 18.3% to 16.7% of service revenue.
- \$19m increase in handset GP primarily due to a timing issue; sale of handset receivables (and associated sale costs) deferred into 2H21.
- Customer base amortisation is a non-cash expense arising from merger acquisition accounting. Underlying NPAT (calculated by adding back the customer base amortisation, less 30% tax) is, therefore, considered a better representation of underlying performance.
- Decrease in HY21 in depreciation and amortisation and in net financing costs.

HY20 Pro forma to HY21 EBITDA Bridge

EBITDA \$m



NBN margin headwinds

- Margin erosion from ADSL to NBN migration driven by 237k decline in average ADSL subscribers in HY21 compared to HY20.

Mobile GP decrease

- Driven by subscriber decline and ARPU movements. Includes \$11m from roaming and visitor revenue impacts attributable to COVID.

RBS levy

- New government levy on high-speed broadband from 1-Jan-21.

Decrease in Fixed Corporate Segment GP

- Decrease primarily driven by decline in revenues from legacy services.

Opex synergies

- Comprises savings from migrating iiNet mobile customers onto the group's network, optimising network backhaul and transit arrangements, eliminating certain duplicated costs and streamlining other opex.

Decrease in handset receivables sale costs

- Temporary benefit linked with the lower operating cashflow in the period. Expected to reverse in 2H21.

Other

- Includes other opex savings, device margin and fixed broadband GP growth.

Segment Summary

\$m	CONSUMER SEGMENT			CORPORATE SEGMENT			OTHER			GROUP		
	Reported	Pro forma		Reported	Pro forma		Reported	Pro forma		Reported	Pro forma	
	HY21	HY20	Variance	HY21	HY20	Variance	HY21	HY20	Variance	HY21	HY20	Variance
Service revenue	1,757	1,875	(119)	438	470	(32)			0	2,195	2,345	(151)
Handset revenue	387	348	39	48	19	29			0	435	367	68
Total revenue	2,144	2,223	(79)	486	489	(3)			0	2,630	2,712	(82)
Other income	-	-	-	-	-	-	8	6	2	8	6	2
Telco costs	(845)	(867)	22	(128)	(140)	12			0	(973)	(1,007)	34
Cost of handsets sold	(368)	(345)	(23)	(45)	(19)	(26)			0	(413)	(364)	(49)
Gross Profit	930	1,011	(80)	313	330	(17)	8	6	2	1,252	1,347	(95)
Overheads	(293)	(345)	52	(77)	(84)	7	4	0	4	(366)	(429)	63
EBITDA	638	666	(28)	236	246	(10)	12	6	6	886	918	(32)
Handset GP (\$m)	19	3	17	3	0	3				22	3	19
Service GP (\$m)	911	1,008	(97)	310	330	(21)				1,222	1,338	(117)
Service GP %	51.9%	53.8%	-1.9pp	70.7%	70.2%	+0.5pp				55.7%	57.1%	-1.4pp
Overheads %	16.7%	18.4%	-1.7pp	17.5%	17.9%	-0.4pp				16.7%	18.3%	-1.6pp
EBITDA %	29.7%	30.0%	-0.3pp	48.6%	50.3%	-1.7pp				33.7%	33.8%	-0.1pp
EBITDA % (excl handset GP)	35.2%	35.4%	-0.2pp	53.2%	52.3%	+0.9pp				39.4%	39.0%	+0.4pp

Notes

1. Corporate Segment includes Enterprise & Government and Wholesale.

Segment Revenue Composition

CONSUMER SEGMENT

\$m	HANDSET REVENUE	MOBILE POSTPAID	MOBILE PREPAID	FIXED BROADBAND	OTHER	TOTAL
HY21	387	667	223	849	18	2,144
HY20 pro forma	348	739	251	824	61	2,223
Movement	39	(72)	(28)	25	(43)	(79)

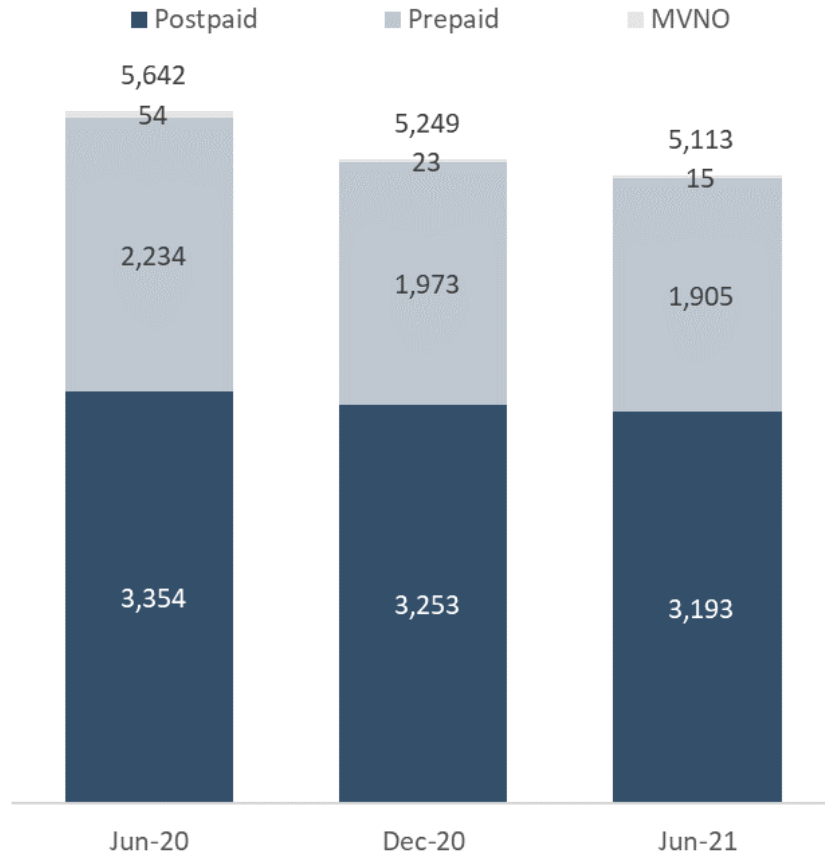
CORPORATE SEGMENT

\$m	HANDSET REVENUE	MOBILE	FIXED VOICE	DATA AND INTERNET	OTHER	TOTAL
HY21	48	114	52	267	5	486
HY20 pro forma	19	122	57	284	7	489
Movement	29	(8)	(5)	(17)	(2)	(3)

- Handset revenue increases primarily reflect higher handset sales in HY21 due to COVID lockdown impact in HY20.
- Mobile revenue decreases driven by subscriber decline and ARPU movement, including loss of international roaming and visitor revenue (refer slides 17 and 19).
- Consumer fixed broadband revenue increase driven by subscriber growth (refer slide 18).
- The divestment of Tech2 at the start of HY21 accounts for \$31m of the decline in Consumer 'Other' revenue (no material EBITDA impact).
- Net decrease in Corporate Segment data and internet revenues primarily driven by decline in legacy copper based services offsetting growth in on-net fibre and NBN Enterprise Ethernet services.

Mobile Subscribers

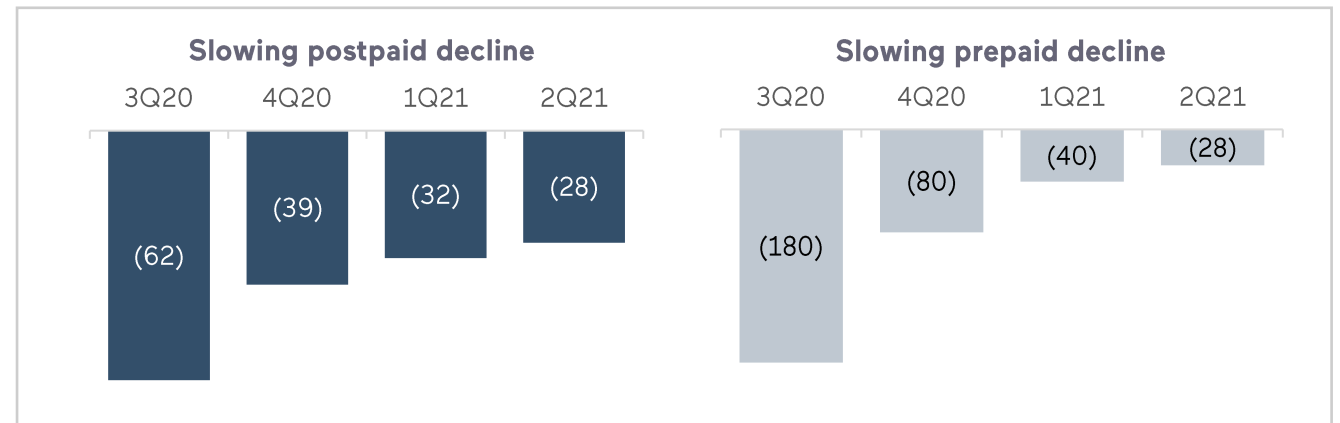
SUBSCRIBERS '000



Notes

1. Dec-20 postpaid subscribers have been re-stated down by 5k as they previously included 5k fixed wireless customers which have now been reclassified into fixed broadband.
2. Prepaid & MVNO subscribers are calculated based on 'registered subscribers'. Registered subscribers include all subscribers who have had a chargeable event in the previous six months.
3. At each date, the numbers shown include subscribers of both VHA and TPG Corporation.
4. TPG Corporation subscribers are included within prepaid.

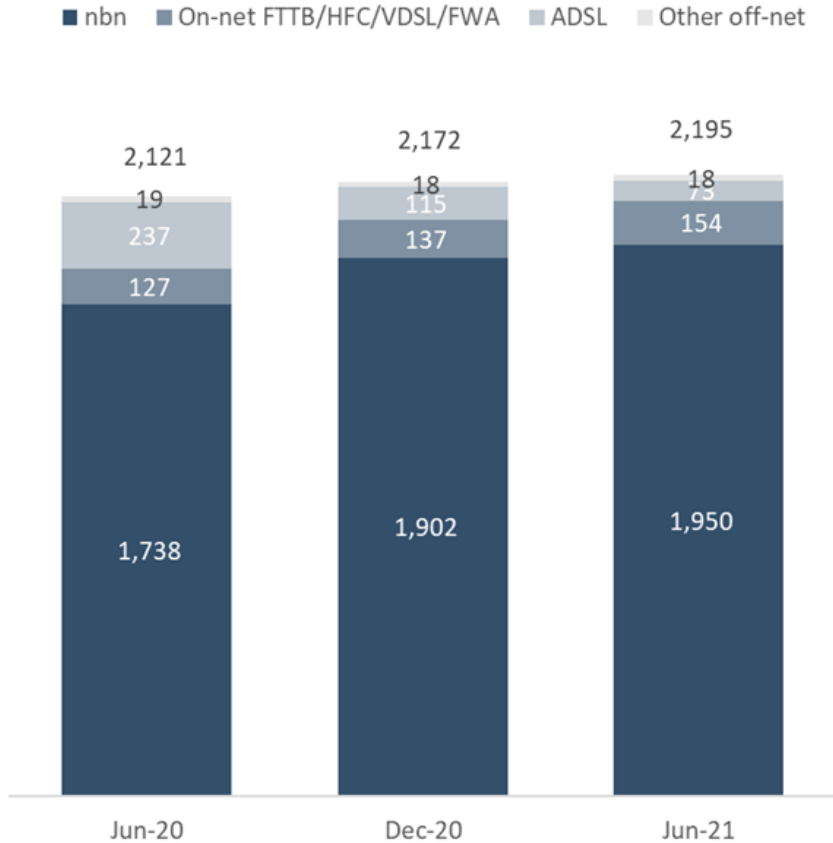
- The rate of decline in mobile subscribers slowed in HY21.



- Charts include all TPG and iiNet mobile subscribers regardless of whether the subscribers were on-net (i.e. on the group's network) or off-net at the time. 29k TPG/iiNet subscribers remained off-net as at 30 June 2021 (down from 110k as at 30 June 2020 and 45k as at 31 December 2020).

Fixed Broadband Subscribers

SUBSCRIBERS '000



- 23k net fixed broadband subscriber growth in HY21, included:
 - 48k increase in NBN subscribers.
 - 17k increase in subscribers on group's on-net infrastructure.
 - 42k decrease in ADSL subscribers.
- Group NBN market share steady at 24% in HY21.
- Only 73k ADSL subscribers (3% of subscriber base) remaining as at 30 June 21.
- The total of 154k on-net subscribers as at 30 June 21 represents a 17k (12%) increase in HY21. In the first six weeks of 2H21, on-net subscribers had already increased by a further 17k boosted by the launch of fixed wireless on the TPG brand.

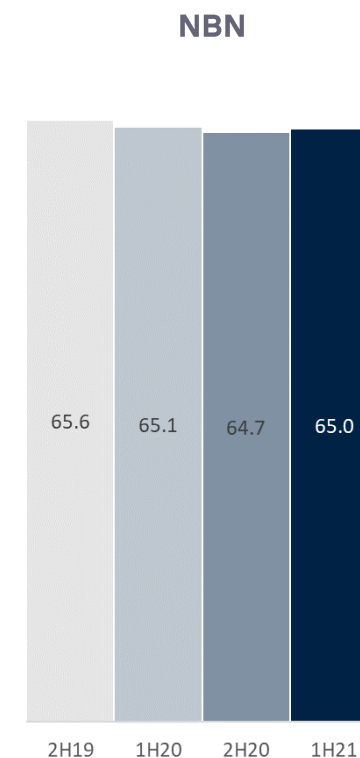
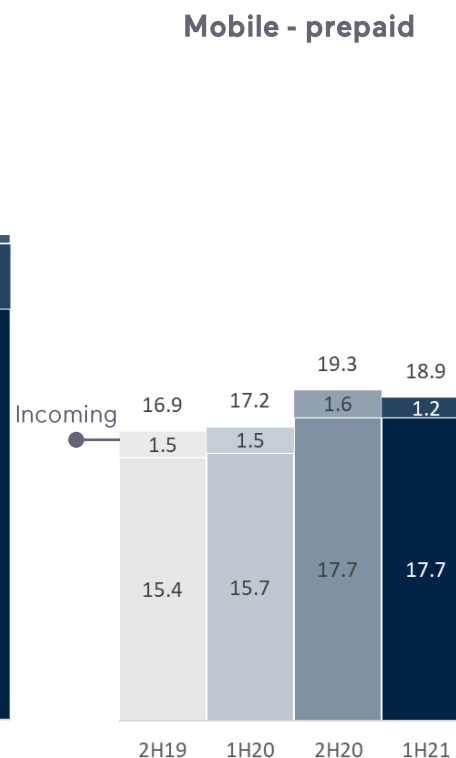
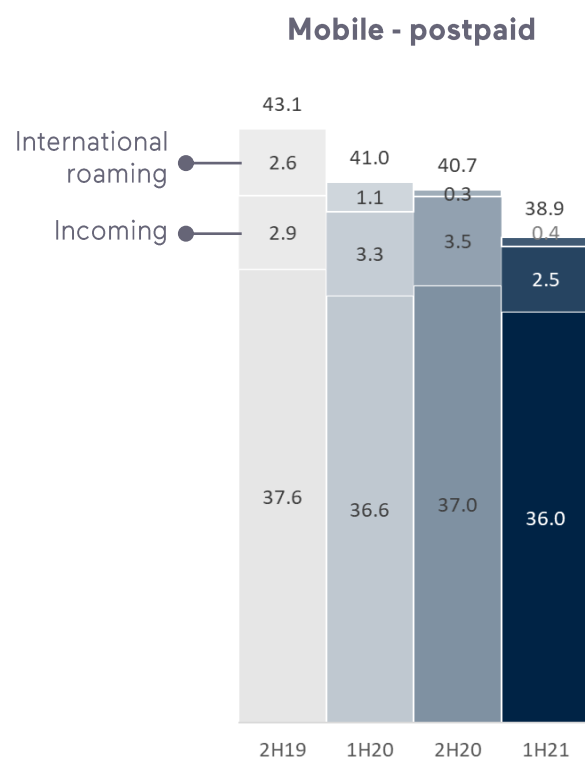
Notes

1. Dec-20 on-net subscribers have been re-stated up by 5k as 5k fixed wireless customers previously included within postpaid mobile have now been reclassified into fixed broadband.
2. At each date, the numbers shown include subscribers of both VHA and TPG Corporation.

Average Revenue Per User (ARPU)

ARPU \$/MONTH

- COVID impact on postpaid mobile ARPU reflected by decline in international roaming from \$2.6 in 2H19 to \$0.4 in 1H21.
- Decline in incoming revenue component of ARPU is due to interconnect rate change. This has no profit impact as is offset by decline in outgoing interconnect cost.



Notes

- ARPU represents a rolling six month average of service revenue, net of discounts and excluding GST.
- Multi-service credits are proportionately allocated between products.
- ARPU calculations incorporate both VHA and TPG Corporation throughout each period.
- Prior period NBN and on-net broadband ARPUs slightly re-stated for improved comparability.

Cash Flow

\$m	HY21 REPORTED	HY20 REPORTED	HY20 PRO FORMA
Operating cash flow	567	318	693
Tax paid	(4)	-	(56)
Mobile spectrum payments	(22)	(205)	(688)
Other capital expenditure	(413)	(266)	(354)
Merger transaction costs	(1)	(14)	-
Lease principal payments	(68)	(63)	(61)
Financing costs - leases	(31)	(50)	(35)
Financing costs - debt	(62)	(79)	(54)
Dividends paid	(139)	-	-
Net cash flow	(173)	(359)	(555)
Net cash flow before dividends	(34)	(359)	(555)
Operating free cash flow	28	(280)	(501)

Notes

1. The pro forma results for HY20 simulate what the group's cash flow would have been if the merger had been effective throughout HY20. A detailed reconciliation between HY20 reported and pro forma cash flow was included in the group's HY20 investor presentation which is available on the Company's website at tpgtelecom.com.au/investor-relations.
2. HY21 cash flows in table above exclude one-off cashflows of \$2m re divestment of Tech2.

- The increase in reported operating cash flow and capex reflects the fact that HY20 includes only four days' contribution from TPG Corporation compared to a full six months' contribution in HY21.
- The decline in operating cash flow relative to the pro forma HY20 result, the deficit of operating cash flow to EBITDA in HY21, and the overall negative net cash flow for HY21 primarily reflects a temporary delay of sale of handset receivables from 1H21 into 2H21 (refer to the corresponding temporary P&L benefit in HY21 in the EBITDA bridge on slide 14).
- Tax paid in HY21 represents final FY20 income tax payment for TPG Corporation relating to pre-merger period. Tax payments in HY20 pro forma period represent income tax paid by TPG Corporation pre-merger.
- Mobile spectrum payment of \$22m in HY21 represents first of five equal annual instalments re 26 GHz mmWave spectrum.
- Increase in HY21 capex relative to HY20 pro forma capex reflects acceleration of the group's 5G network upgrade along with continued investment in the expansion of the group's fibre network and IT systems development.

Net Debt and Debt Facilities

\$m	
Proforma net debt as at 30-Jun-20	4,557
2H20 net debt movement	(344)
Proforma net debt as at 31-Dec-20	4,213
1H21 net debt movement	169
Net debt as at 30-Jun-21	4,382
Debt facilities	5,250
Headroom as at 30-Jun-21	868
Net debt : EBITDA leverage ratio as at 30-Jun-21	2.8

The group's debt facilities of \$5.25b were refinanced during HY21 on improved pricing terms and with maturity dates extended such that the maturity profile of the debt facilities as at 30 June 21 ranged from 3 to 5 years.

Notes

1. Net debt calculated as borrowings (excluding AASB16 leases) less cash.
2. EBITDA used in covenant calculation is pre-AASB16 as per terms of debt facilities.

Interim Dividend

Interim Dividend

8.0cps

Fully Franked

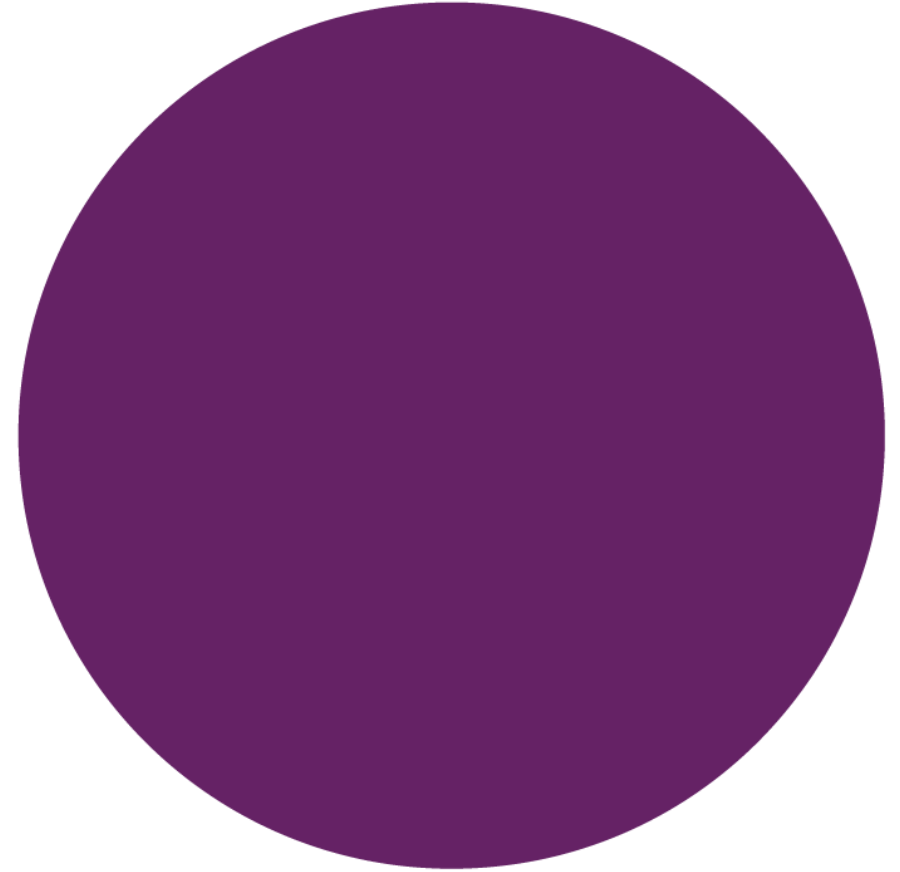
Payment date	13 October 2021
Record Date	15 September 2021

7% increase on maiden FY20 dividend

Looking Ahead

Iñaki Berroeta

Chief Executive Officer
and Managing Director



Stronger position to take advantage of growth potential

Full-service and at scale

- **7.5m consumer and business services**, and a presence in more than 3.5 million households
- **Strong brand portfolio** including Vodafone, TPG and iiNet
- **Nationwide mobile network** covering more than 23 million Australians, 5G rolling out in major cities
- **2nd largest fixed broadband base** with 2.2 million customers and 24% NBN market share across group
- **Leading fibre infrastructure and deployment capability**

Better services and experiences

- **Best mobile video experience and calling** (Opensignal), consistent quality (Tutela)
- **Lower TIO complaints** for TPG and iiNet brands; Vodafone lowest complaints of all MNOs
- **Best NBN provider** awarded to TPG and iiNet brands (Choice)
- **Industry leading fast fibre products**, delivering up to 1 Gbps speeds for business
- **Significant network capacity** for mobile and home wireless

Valuable network asset portfolio

- Portfolio of valuable network assets
- Mobile network of 5,800 sites includes 1,200 where passive infrastructure owned by TPG
- Undertaking strategic review of owned mobile sites to maximise shareholder value



**5,800
mobile sites**



**Competitive
spectrum
holdings**



**400+
small cells**



**28,000km
metro and
intercapital
fibre network**



**13,000
Enterprise
buildings
connected to
fibre**



**400,000
residences
passed by
FTTB, VDSL &
HFC networks**



**400
national points
of presence
including data
centres**



**7,000km
subsea cable
and
international
links**

H2 focus



Continued growth in home wireless and on-net products



5G rollout to reach scale in 10 of Australia's largest cities and regions



Increase Enterprise & Government market impact



Continue to deliver on merger cost synergies target

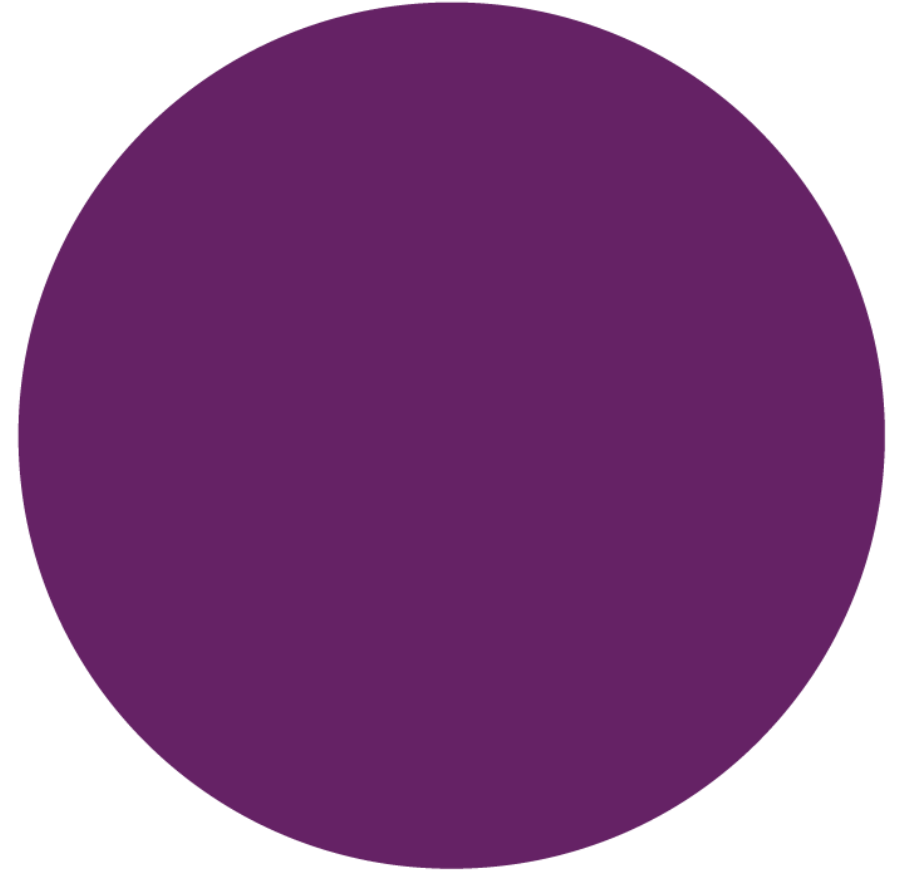


Accelerate and expand cross-sell activities

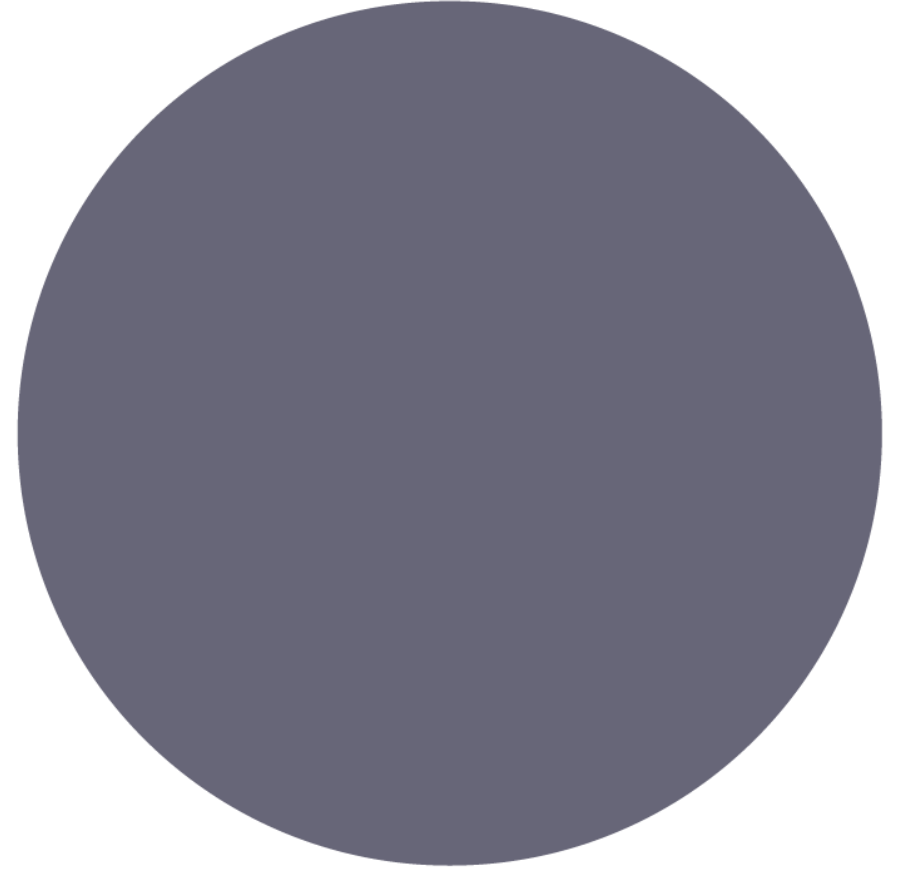


Embed culture, support employees through COVID

Thank you



Q&A



Disclaimer

This presentation contains certain forward-looking and unaudited information. Such information is based on estimates and assumptions that, whilst considered reasonable by the group at the date of preparation, are subject to risks and uncertainties. Actual results and achievements could be significantly different from those expressed in or implied by this information.

COVID is likely to continue affecting parts of the group's business. However, the dynamic nature and continuing uncertainty surrounding COVID makes it impossible to accurately predict or forecast the extent of the impact on the group's business or future financial or other performance.