

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

**ELECTRONIC LODGEMENT**

21 August 2020

**TPG Telecom Limited Results for Half Year ended 30 June 2020 – Media Release**

Please find attached a Media Release concerning TPG Telecom Limited's Half Year Financial Results, for immediate release to the market.

Authorised for lodgement with the ASX by:



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# Media Release

## TPG Telecom delivers first results following merger completion

### Highlights

- Careful navigation of multiple significant challenges and priorities during 1H20
- Strong start on integration activities following completion of merger
- 5G rollout plan gains momentum
- Strong demand for fixed services with highest market share of NBN net adds in June quarter
- Responsible actions from company in response to pandemic

**Friday 21 August** – TPG Telecom Limited (ASX: TPG) (TPG Telecom), the company formerly named Vodafone Hutchison Australia Pty Ltd (VHA), today released its first half results for FY20, being for the six months ended 30 June 2020 ('1H20').

Reported results for 1H20 include a full six months of the company formerly known as VHA but only four days' contribution from TPG Corporation Limited (TPG Corporation) (the company formerly named TPG Telecom) post the merger accounting effective date of 26 June 2020.

Reported revenue decreased 11 per cent from 1H19 to \$1,540 million (includes four-day contribution of \$27 million from TPG Corporation). Excluding the TPG Corporation contribution, revenue decreased 12 per cent to \$1,513 million.

Reported EBITDA decreased 9 per cent to \$531 million (includes four-day EBITDA contribution of \$9 million from TPG Corporation and \$24 million of merger transaction costs). Excluding these items, the underlying TPG Telecom standalone EBITDA decreased 8 per cent to \$546 million.

Reported NPAT was \$83 million, including a one-off, non-cash credit to tax expense of \$226 million and one-off merger and other costs of \$30 million. Excluding these one-off items and TPG Corporation's contribution of \$4 million, underlying TPG Telecom (former VHA) standalone NLAT improved 19 per cent to \$117 million.

There were significant COVID-related impacts to revenue and EBITDA in the period:

- Global travel restrictions
  - Approximately 80 per cent decrease in margin from roaming
  - 30 per cent decrease in prepaid connections and 20 per cent decrease in postpaid connections
- Temporarily reduced sales channel operations
  - Retail store closures due to shut-down and precautionary measures
  - Reduced contact centre operations in March and April due to India lockdowns
- Customer financial hardship and support initiatives



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TPG Telecom Chief Executive Officer Iñaki Berroeta said 1H20 was an unprecedented and complex period, with the company managing four significant sets of challenges and priorities.

“We simultaneously supported our customers to help keep them connected through COVID, moderated the financial impacts of the pandemic on our own business, completed the merger and commenced our 5G rollout after an 18-month delay due to the vendor restrictions,” Mr Berroeta said.

“While our results reflect a negative impact from COVID on the mobile sector, they also demonstrate the relative resilience of the industry and our capacity to continue to deliver the essential services which our customers rely on.”

## Strong start for merged company

TPG Telecom has made a strong start on merger integration activities, with 445 network upgrades performed since implementation.

More than 1.8 million Australians have benefited from improved network performance following the integration of TPG Corporation spectrum into the Vodafone mobile network at 318 sites in Canberra, Tasmania, Southern Queensland, Darwin, Adelaide, regional Victoria, regional South Australia and parts of NSW.

Network performance has also been boosted in the Melbourne CBD and parts of Sydney where TPG Corporation small cells have been activated and 700 MHz spectrum added to sites.

“Customers began experiencing the benefits of the merger from day one, and over the past six weeks, we have delivered significant boosts to data speeds and performance for customers from these deployments,” Mr Berroeta said.

The company has also commenced a program to connect TPG Corporation fibre to an additional 700 sites on the Vodafone mobile network. This builds on the 2015 commercial agreement which saw TPG Corporation fibre connected to more than 3,000 Vodafone mobile sites.

From Monday 24 August, iiNet will begin inviting its existing mobile customers to migrate to the Vodafone mobile network, resulting in savings from third-party network costs.

“By using our own mobile network, we’ll be able offer customers more inclusions for less, with new customers to receive 50 per cent off their plans for six months and existing migrating customers to receive two months’ free access,” Mr Berroeta said.



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## 5G rollout plan gains momentum

TPG Telecom has announced the 5G Vodafone mobile network is planned to reach more than 85 per cent of the population in Australia's top six cities of Sydney, Melbourne, Brisbane, Adelaide, Perth and Canberra by the end of 2021.

The company's 5G rollout, which commenced in March 2020, will enter a new phase in 2H20 with deployments to increase over coming months.

The company has commenced development of its 5G standalone network capability, which will significantly increase 5G coverage when available. The 5G standalone network will utilise 700 MHz spectrum which will significantly increase the coverage available to 5G standalone enabled devices.

"5G is one of our key company priorities, and we have more than 1,200 sites currently in planning," Mr Berroeta said.

"5G device penetration in Australia remains low but as more 5G-enabled devices come into the market, we are increasing the number of sites going live."

## High customer demand for fixed services, mobile impacted by COVID-19 restrictions

Customer demand for telecommunications services remains strong, driven by increased customer reliance for remote working and education arrangements.

The Vodafone nbn customer base increased 32 per cent since 31 December 2019 to 150,000. TPG Corporation fixed broadband subscribers increased 2 per cent to 1.971 million.

"In the June 2020 quarter, our Group achieved the highest market share of net NBN growth of any service provider, with one third of new NBN subscribers for that quarter taking a TPG Telecom Group branded service," Mr Berroeta said.

However, the company's ability to connect new mobile customers was significantly impacted by global travel bans, especially in the prepaid segment. International visitors to Australia, including students, is a key segment for the Vodafone and Lebara brands, and these customers' absence from the market is a major reason for the decline in the mobile customer base.

Postpaid mobile customers decreased 2 per cent to 3.354 million and prepaid mobile customers (excluding MVNO) decreased 10 per cent to 1.818 million.

"Australian customers are relying on their telco services more than ever and we have also started work to bolster our brands, including new competitive plans and a bold new brand campaign for Vodafone," Mr Berroeta said.



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## Responsible company actions in response to pandemic

TPG Telecom recognises the importance of doing business responsibly. The company is taking a customer-centric approach to our COVID response, while helping to ensure the health and wellbeing of employees and the community.

The company acts in line with the principles outlined in the telecommunications industry's joint statement with the Australian Government as well as the relevant provisions in the Telecommunications Consumer Protections (TCP) Code.

### *Supporting our customers*

Customer initiatives included a temporary \$10 Stay Connected plan for customers experiencing financial difficulty, additional data allowances, unlimited standard national calls, and paused late payment-fees and collections.

"It was important for us as a customer champion to support our customers during this challenging period, and we worked closely with government and industry on our approach," Mr Berroeta said.

### *Serving our customers*

The company is continually adapting its operations in an ever-evolving situation to serve customers and keep them connected.

As telecommunications is considered an essential service, most Vodafone retail stores are open with social distancing and increased hygiene measures in place. Where appropriate, stores temporarily close in line with government shutdown and precautionary measures.

In line with the Victorian Government's Stage 4 restrictions, most metropolitan Melbourne stores are closed, with 19 stores available for contactless 'Call and Collect' appointments on request for urgent service issues. All airport stores across Australia remain closed.

The company also responded quickly to restore service capacity levels after lockdown measures significantly impacted Vodafone contact centre operations in Mumbai and Pune.

Changes include hiring additional casual employees at its Hobart Contact Centre, enabling agents to work from home and redeploying retail employees to contact centre roles.

"We're serving customers through our normal customer care channels, with customers welcome to contact us via web chat, phone or social media," Mr Berroeta said.

### *Business as usual for office-based employees*

The company moved to remote-working for all office-based employees on 13 March, with flexible



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working arrangements remaining in place for all TPG Telecom employees.

“This model worked well from day one and our business continues to operate as normal as all office-based employees are fully equipped to work from home,” Mr Berroeta said.

## Outlook

The TPG Telecom Group will continue to prioritise activities to realise merger synergies, while responding to the ongoing COVID pandemic.

Priorities include accelerating the company’s 5G mobile network, growing market share of households by offering converged products, owned infrastructure broadband opportunities, increasing Enterprise market share, organisational integration activities, and efficiencies across the business.

The telecommunications industry is proving to be more resilient than many sectors due to increased customer reliance on services and the company expects demand for fixed line services to remain strong. However, the company expects continued challenging conditions in mobile while global travel restrictions remain in place.

“Through our increased scale and strength as a merged company, we are well-placed to continue to support customer needs, while progressing our plans to deliver the benefits of the merger for customers and shareholders,” Mr Berroeta said.

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