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## TPG Telecom reports FY21 results

### Solid result against industry headwinds; positive momentum into 2022

#### Highlights

- EBITDA of \$1,731 million, resilient amid COVID and industry headwinds
- Strong cash flow result reflecting merger benefits and disciplined financial management
- Final dividend of 8.5 cents per share, fully franked, up 13% on FY20 final dividend
- Returning momentum in mobile subscriber numbers, up 33,000 since November 2021
- Strong fixed wireless growth: 80,000 subscribers in December 2021; to double in 2022
- Landmark transformational regional coverage agreement secured with Telstra
- Continued metro 5G upgrades with a further 1,000-plus sites to be delivered in 2022
- Strategic review of passive towers and rooftops infrastructure nearing completion
- On track to deliver \$125-150m merger synergy target in 2022, a year ahead of schedule

**Thursday 24 February 2022** – TPG Telecom Limited (ASX: TPG) (TPG Telecom) today released its results for the financial year ended 31 December 2021 (FY21), reporting EBITDA of \$1,731 million and declaring a fully franked final dividend of 8.5 cents per share.

Chief Executive Officer Iñaki Berroeta said the Company had produced solid financial results in its first full year as an integrated company, delivering growth with expansion of targeted services such as fixed wireless, investing in its 5G network and delivering cost synergies.

“2021 was a year of significant progress as we unified our operations and demonstrated strong operating and financial discipline to navigate the challenging COVID operating environment and position ourselves strongly for improving market conditions,” Mr Berroeta said.

“Having completed the first phase of merger integration, we are accelerating the transformation of our network. We are now poised to deliver on our full potential for customers as we focus on providing more choice and even better products and services for Australian customers.”

#### Financial performance

Execution of merger synergies and disciplined financial management reduced the impact of market headwinds including COVID-related border closures impacting mobile customer volumes, and margin erosion in fixed broadband from legacy customers transitioning to NBN services, higher NBN wholesale costs and the introduction of the Regional Broadband Scheme.



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Service revenue of \$4,389 million was down 4% compared with FY20 pro forma results<sup>1</sup> while EBITDA of \$1,731 million was down 3% following the delivery of efficiencies, primarily in labour costs.

Operating free cash flow was strong at \$596 million, while free cash flow was improved at \$410 million due to working capital efficiencies, reduced spectrum expenditure and lower interest costs. Net profit after tax (NPAT) was \$110 million.

TPG Telecom's Board has declared a fully franked final dividend of 8.5 cents per share, up 1.0 cent per share on the 2020 final dividend. Total dividends declared for 2021 were 53% of Adjusted NPAT<sup>2</sup>, compared with TPG Telecom's policy to pay at least 50% of Adjusted NPAT.

### **Momentum returning to mobile market**

TPG Telecom recorded a net increase in mobile subscribers since November 2021, adding 33,000 mobile subscribers, as international travellers began to return to Australia.

"We have been encouraged by the uptick in mobile customer numbers as international travel returns and we are optimistic about the year ahead as COVID impacts lessen," Mr Berroeta said.

The group ended the year with 5.02 million mobile customers, down 4% on the year prior, mostly due to COVID-related restrictions on international travel.

### **Strong momentum in fixed wireless**

TPG Telecom built strong momentum in fixed wireless broadband services during 2021, reporting 80,000 customers on its 4G and 5G home broadband services at 31 December 2021.

"We are targeting to more than double our fixed wireless base in 2022, with our offering providing customers with a high quality, great value alternative to the NBN," Mr Berroeta said.

The group's total fixed customer base grew 1.2% to 2.22 million.

### **Network investment and evolution**

The company delivered its best ever network in 2021, reaching 85% of the population in 10 of Australia's largest cities and regions with 5G, and rolling out more than 1,000 5G sites.

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<sup>1</sup> Pro forma comparisons adjust FY20 statutory results as if the merger, which occurred in June 2020, had been effective throughout the whole of FY20.

<sup>2</sup> Adjusted NPAT excludes one-off restructuring costs, customer base intangible amortisation, spectrum amortisation and non-cash tax expense.



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Network investment will accelerate in 2022 to enable delivery of a further 1,000-plus sites in 2022 at the same time as TPG expands 5G coverage further in metro areas.

The recent announcement of a mobile operator core network agreement with Telstra will also increase TPG Telecom's regional sites five-fold to 3,700 sites, subject to ACCC approval.

"This agreement will take TPG Telecom's national population coverage to 98.8%, delivering greater freedom and choice to customers while opening up a material growth opportunity," Mr Berroeta said.

The strategic review of the passive tower and rooftop mobile network infrastructure TPG owns is nearing completion, representing a further potential opportunity to unlock value.

#### **Merger cost synergies ahead of schedule**

TPG Telecom delivered \$71 million of cost synergies in 2021, primarily through labour efficiencies, and has commenced the next stage of simplification to reduce complexity and streamline its operating model to enable better outcomes for customers.

"We are now underway with the next phase of simplification of our organisation to increase our focus on delivering for customers following the streamlining of our Executive Leadership Team from 11 to seven people late last year," Mr Berroeta said.

The Company expects to deliver its targeted total merger synergies of \$125 million to \$150 million in 2022, a year earlier than originally expected.

#### **Outlook**

"Having executed strongly against our objectives in 2021 amid challenging conditions, we are now in a strong position to achieve our full potential as an integrated full-service telecommunications company in coming years. We are confident of delivering value from targeted growth initiatives, smarter asset utilisation and further simplification of our business as headwinds lessen and underlying momentum improves in 2022," Mr Berroeta said.

**ENDS**

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