TPG TELECOM LIMITED (ASX: TPM)

FINANCIAL RESULTS COMMENTARY

HALF YEAR ENDED 31 JANUARY 2017

TPG Telecom reports a further period of record profits

Reported Results

TPG Telecom Limited has today announced record results for its half year ended 31 January 2017 ("1H17").

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period increased by 8% to $473.4m.

- Net Profit After Tax attributable to shareholders ("NPAT") for the period was $224.0m, an increase over 1H16 of 11%.

- Earnings per share ("EPS") increased by 8% to 26.4 cents per share.

- Interim dividend per share increased by 14% to 8.0 cents per share.

Underlying[1] Results

The 1H17 reported results include the following irregular items:

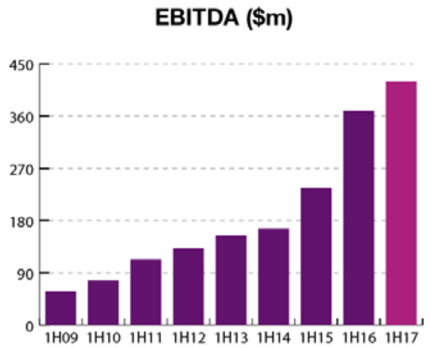
- $48.8m profit realised on the sale of equity investments ($35.3m post tax).

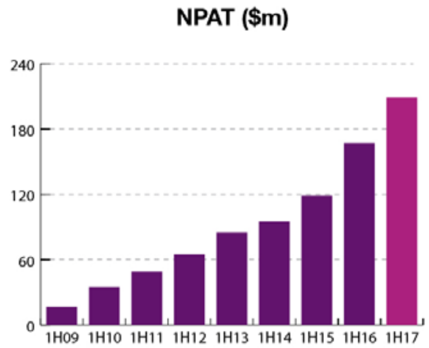
- $7.0m non-recurring revenue earned by the Group's Consumer Division ($4.9m post tax).

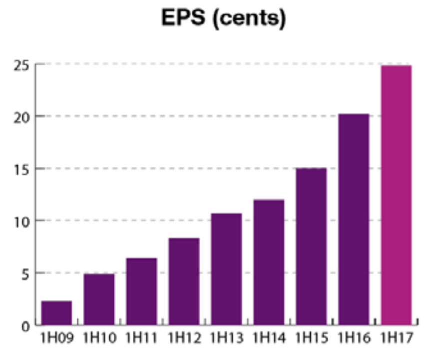
Excluding these irregular items and the $68.5m ($66.8m post tax) irregular items that benefitted the 1H16 reported EBITDA, the Group's underlying EBITDA for 1H17 has increased by $48.8m (13%) to $417.6m.

The Group's underlying NPAT grew by $45.2m (28%) in 1H17 to $207.5m due primarily to the EBITDA growth plus a $17.0m (pre-tax) decrease in net financing costs due to a reduction in the quantum and cost of the Group's bank debt.

Underlying EPS[2] increased by 25% to 24.5 cents per share.







[1] A reconciliation of reported to underlying profits is set out on page 3 of this Financial Results Commentary.
[2] Underlying EPS incorporates the same adjustments as set out for underlying NPAT.

TPG Consumer Division

The TPG Consumer Division's EBITDA for 1H17 was $142.2m compared to $125.6m for 1H16.

This result included $7.0m of one-off revenue earned through a key supplier arrangement. Even excluding this irregular item the Division achieved EBITDA growth of $9.6m (8%) driven by NBN and FTTB subscriber growth.

TPG Corporate Division

The TPG Corporate Division achieved 1H17 EBITDA of $141.1m compared to $131.9m for 1H16, representing growth of $9.2m (7%) driven by continued strong data and internet sales and margin expansion.

Investment has also been made during the period in expanding the Corporate Division sales force for future growth.

iiNet

iiNet contributed EBITDA of $141.7m in 1H17 compared to $107.1m for the five and a quarter months post acquisition period in 1H16. The drivers of the $34.6m growth in 1H17 were (i) $4.0m of integration costs incurred in 1H16 not repeated in 1H17, (ii) $15.9m from the three extra weeks' contribution in 1H17, and (iii) $14.7m organic EBITDA growth.

The organic EBITDA growth was driven by broadband subscribers which increased to 990k in the period as well as by the ongoing realisation of financial benefits from integration activities which helped lift iiNet's EBITDA margin to 26% in 1H17 compared to 22% in 1H16 and 18% prior to the acquisition. These growth drivers more than offset the adverse impact of the continued decline of legacy fixed voice business and a lower contribution from Tech2.

Singapore

During the period the Group was the successful bidder at the new Entrant Spectrum Auction in Singapore and in the three months since the auction has made a strong start to its mobile network rollout.

Cashflow, Capital Expenditure and Gearing

The Group delivered another strong cashflow result in 1H17 with $434.8m cash generated from operations (pre-tax).

The Group's 1H17 Capital Expenditure of $330.2m comprised $108.0m in relation to Singapore and $222.2m in relation to the Australian business, up from $133.4m for the previous corresponding period. This increase was driven by (i) acceleration in the fibre expansion for the Vodafone fibre contract which is running to schedule and within budget, and (ii) the acquisition of additional international capacity.

Cashflows in the period were also boosted by $124.5m of proceeds from the sale of equity investments and the Group reduced its bank debt at the end of the half year to $1,313m representing a net debt to annualised EBITDA leverage ratio of ~1.6x[3].

[3] Based on annualised 1H17 underlying EBITDA and including IRU debt within net debt.

Dividend

In light of the Group's strong cashflow and earnings growth, the Board of Directors has declared an increase to the interim FY17 dividend by 14% to 8.0 cents per share (fully franked), payable on 23 May 2017 to shareholders on the register on 18 April 2017.

FY17 Guidance

The directors reaffirm the guidance provided in September 2016 for underlying EBITDA for the Group for the full year FY17 to be in the range of $820-830m.

	1H17 Actual $m	FY17 Guidance* $m
Underlying EBITDA	417.6	820-830
Non-recurring gains	55.8	
Reported EBITDA	473.4	

* As originally provided in September 2016, and now reaffirmed.

David Teoh
Executive Chairman
21 March 2017

Reconciliation of Reported to Underlying Profits

	1H17		1H16	
$m	EBITDA	NPAT	EBITDA	NPAT
Reported	**473.4**	**224.0**	**437.3**	**202.5**
Less: Profit on sale of equity investments	(48.8)	(35.3)	(9.7)	(6.8)
Less: Gain on previously held interest in iiNet	-	-	(73.1)	(73.1)
Less: One-off revenue	(7.0)	(4.9)	-	-
Add: One-off iiNet acquisition transaction costs	-	-	10.3	10.3
Add: Non-recurring iiNet re-organisation costs	-	-	4.0	2.8
Add: Acquired customer base intangible amortisation	-	23.7	-	26.6
Underlying	**417.6**	**207.5**	**368.8**	**162.3**