

Acquisition of iiNet



13 March 2015



iiNet acquisition overview



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Transaction overview

- TPG Telecom Limited (“TPG”) and iiNet Limited (“iiNet”) have agreed a recommended transaction under which it is proposed that TPG will acquire 100% of the fully diluted ordinary shares that it does not already own in iiNet¹ by way of Scheme of Arrangement (“Scheme”)
- TPG proposes to acquire each iiNet share for a total cash value of \$8.60 per share (“Cash Scheme Consideration”) (approximately \$1.4 billion implied market capitalisation)
- Investors on the iiNet register as at 16 March 2015 will remain entitled to and will receive the fully franked FY15 interim dividend of \$0.105 per share²
- Subject to obtaining a favourable ruling from the ATO, iiNet may also pay a fully-franked special dividend on or shortly before the implementation of the Scheme, which would reduce Cash Scheme Consideration by the amount of any such special dividend
- For comparison purposes, the \$8.60 Cash Scheme Consideration value plus the interim dividend represents a significant premium of 33% over the one month VWAP to 11 March 2015³
- The total value of \$8.705 per share implies a c.9.2x CY14 EV/EBITDA⁴ acquisition multiple

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Strategic rationale

- Increases TPG’s broadband subscriber base to over 1.7 million customers, and delivers scale benefits in an NBN environment
- Pro forma combined revenues of \$2.3 billion⁵ and EBITDA of \$654 million⁵
- Expand TPG’s national presence and complement existing value-based strategy with a premium, high quality service offering
- Transaction will be immediately EPS accretive for TPG shareholders⁶

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Funding

- Total cash value to be funded by debt, for which TPG has established new committed facilities
- Post transaction pro forma leverage is expected to be approximately 3.1x (net debt/EBITDA)⁷

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Limited conditionality

- The Scheme is subject to limited conditionality including regulatory approval, iiNet shareholder and court approval, and no Material Adverse Change occurring
- It is not subject to a financing condition or due diligence

1. TPG currently owns 6.25% of iiNet; 2. FY15 interim dividend of \$0.105 per share was declared on 18 February 2015, expected to be paid on 30 March 2015; 3. Last date iiNet traded on a cum-dividend basis; 4. Includes iiNet net debt of \$383 million (including Indefeasible Right of Use liability) and underlying iiNet CY14 EBITDA of \$197 million; 5. Pro forma financials based on the mid-point of TPG FY15 guidance and iiNet CY14 published results; 6. Excluding amortisation of intangibles on acquisition; 7. Pro forma EBITDA based on iiNet’s reported CY14 underlying EBITDA and the mid-point of TPG’s FY15 guidance, on a pre-synergies basis

About iiNet



Overview

- iiNet provides over 1.9 million broadband, telephony and IPTV services to over 975,000 broadband customers
- Has over 60,000 NBN and fibre subscribers
- Provides services to Small Office & Home Office ('SoHo'), Small to Medium Enterprise ('SME') and Corporate & Government clients
- Operates a proprietary network of over 450 DSLAMs
- Key brands iiNet, Internode and Westnet have the highest NPS scores compared to any other major telecommunications company
- Employs over 2,500 staff

iiNet brands



Strategic rationale



1

Increased scale

- Combined broadband subscriber base exceeding 1.7 million
- Customer numbers will deliver scale benefits in an NBN environment
- Pro forma combined revenues of \$2.3 billion¹ and EBITDA of \$654 million¹

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Expand national presence

- Complementary geographic footprint of broadband subscribers

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Complementary market segments

- TPG provides a leading value-based offering whilst iiNet offers a more premium, customer service-led offering with award winning products and services

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Expand corporate business

- Complementary corporate division customer bases
- iiNet has a strong SME business whilst TPG's corporate division is heavily focused on corporate and government clients

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EPS accretive

- Acquisition would be immediately EPS accretive for TPG shareholders²

1. Pro forma financials based on the midpoint of TPG FY15 guidance and iiNet CY14 published results

2. Excluding amortisation of intangibles on acquisition

Benefits for iiNet shareholders



Significant premium

- For comparison purposes, the Cash Scheme Consideration together with the interim dividend represents
 - 31% premium over \$6.65 closing price on 11 March 2015¹
 - 33% premium over five day VWAP to 11 March 2015
 - 33% premium over one month VWAP to 11 March 2015
 - 25% premium over three month VWAP to 11 March 2015



Highest price ever

- Total cash value offered is higher than iiNet has ever traded in its history



Certainty of value

- 100% cash consideration, giving the opportunity for iiNet shareholders to realise their investment in full for cash



Attractive valuation

- \$8.705 total cash value implies a CY14 EV/EBITDA of 9.2x²



Funding certainty

- The Scheme is not subject to a financing condition or due diligence

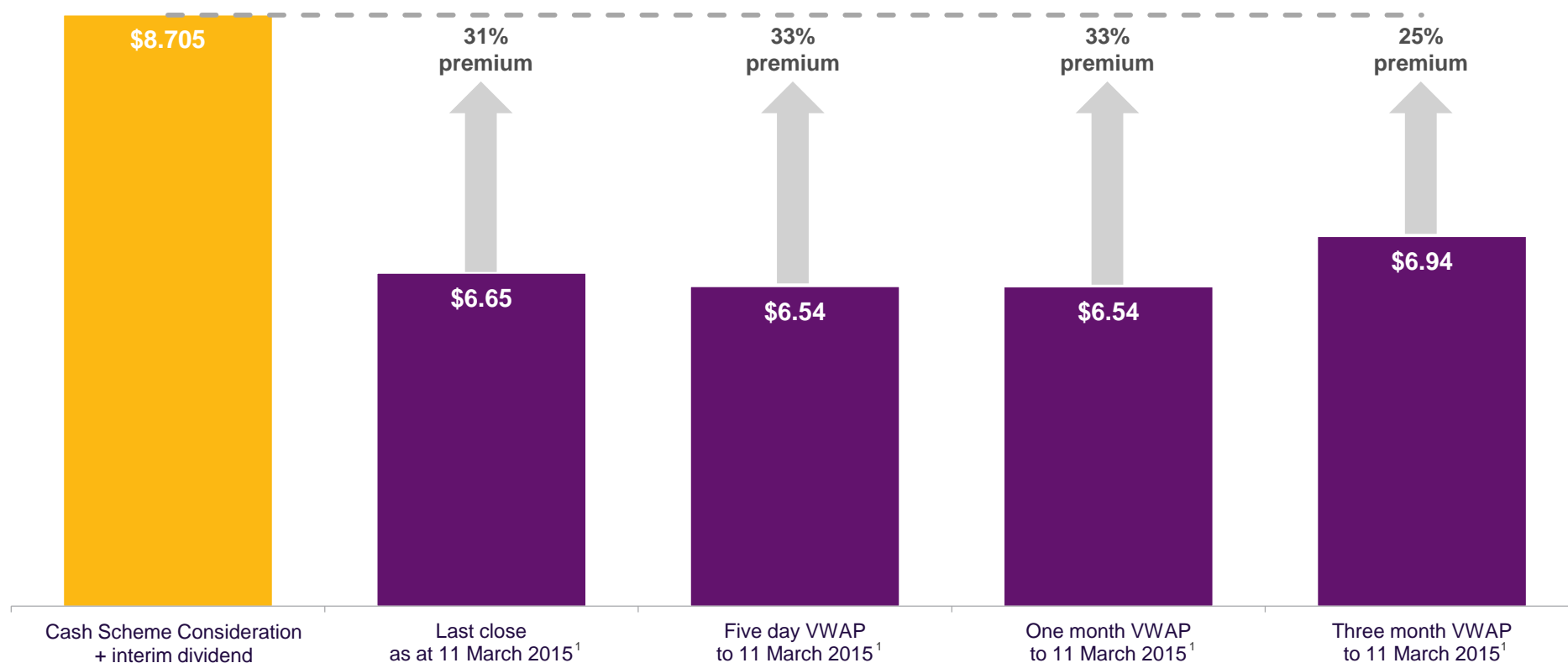
1. The last day iiNet traded on a cum-dividend basis related to the 1H15 interim dividend

2. Includes iiNet net debt of \$383 million (including Indefeasible Right of Use liability) and pre-synergies, underlying CY14 EBITDA of \$197 million

Attractive premium







For comparison purposes, the combined \$8.705 of Cash Scheme Consideration and interim dividend, represents the following premium relative to iiNet trading prices



1. The last day iiNet traded on a cum-dividend basis related to the 1H15 interim dividend

Summary



-  Compelling strategic rationale for TPG, increasing scale, expanding national presence and complementary existing market segments
-  Expected to be immediately EPS accretive for TPG shareholders¹
-  Compelling transaction for iiNet shareholders, offering certainty of value at an attractive valuation and premium
-  Limited conditionality with no due diligence or financing condition

TPG confirms that it will release its interim results on 24th March 2015

1. Excluding amortisation of intangibles on acquisition

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