

# TPG TELECOM LIMITED (ASX: TPM)

## FINANCIAL RESULTS COMMENTARY

### **HALF YEAR ENDED 31 JANUARY 2013**

# TPG Telecom increases half year NPAT by 41% over 1H12

- accelerates rate of subscriber growth
- increases dividend
- upgrades guidance

TPG Telecom Limited has today announced its financial results for the half year ended 31 January 2013 ("1H13"), which include Net Profit After Tax ("NPAT") of \$78.3m, an increase over 1H12 of 41%.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the half year increased by 16% to \$153.6m.

Earnings per share ("EPS") increased by 39% to 9.9 cents per share. EPS excluding the impact of intangible amortisation expense was 11.0 cents per share.

### **Consumer business**

The Group grew its consumer broadband subscriber base by 36,000 in the half year, almost double the growth achieved in the same period last year. The growth in 1H13 continued to be driven by TPG's ADSL2+ with Home Phone bundle plans which grew by 66,000 subscribers in the 6 month period. This growth was partially offset by a decline in standalone on-net (23,000) and off-net (7,000) subscribers.

The Group also significantly increased its rate of mobile subscriber growth, adding 48,000 subscribers during 1H13, compared to 54,000 for the whole of FY12.

As at 31 January 2013 the Group had 631,000 broadband subscribers and 303,000 mobile subscribers.

The Consumer division's EBITDA of \$94.8m, representing growth of \$20.8m relative to 1H12, includes approximately \$10.0m of net one-off benefits arising predominantly from back-dated rebates received during the half year pursuant to the ACCC's determinations for wholesale DSL and IIC charges levied by Telstra.

## **Corporate business**

The Group's Corporate division achieved an EBITDA of \$57.5m for the half year which is consistent with 1H12. However, the accounting gains from IRU sales of \$10.5m included within this result are \$2.0m lower than in 1H12, meaning that the division's underlying recurring earnings continued to show solid growth.

During the half year the final phase of the fibre network expansion to fulfill the VHA contract was completed on schedule. This helped the Group add a further 766km to its fibre footprint which now exceeds 3,800km.



# **Cashflow**

The Group's cashflow was again very strong; \$160.0m cash was generated from operations (pre-tax), and free cashflow for the half year was \$86.0m.

This free cashflow enabled the Group to repay \$54.0m of debt in the half year, as well as to pay an increased dividend and make a \$7.5m strategic investment in Cocoon Data Holdings Limited, a data security business with whom the Company has also signed a product development and distribution agreement.

The Group's gross debt as at 31 January 2013 was down to \$95.0m, representing a debt to annual EBITDA leverage ratio of less than 0.4 times. This relatively low leverage ratio gives the Group significant borrowing capacity for future potential growth if required.

## **Dividend**

In light of the Group's strong cashflow and earnings growth, the Board of Directors has declared an increase to the interim FY13 dividend by 27% to 3.5 cents per share (fully franked), payable on 21 May 2013 to shareholders on the register at 16 April 2013.

#### FY13 Guidance

The directors have upgraded the Group's FY13 EBITDA guidance from \$263-273m to a new estimated range of \$285-290m.

David Teoh Executive Chairman 19 March 2013