



## **TPG TELECOM LIMITED (ASX: TPM)**

### **FINANCIAL RESULTS COMMENTARY**

#### **HALF YEAR ENDED 31 JANUARY 2011**

#### **TPG Telecom increases EBITDA by 47% over 1H10**

- **maintains strong subscriber growth**
- **improves margins**
- **increases dividend**
- **upgrades guidance**

The directors of TPG Telecom Limited today announced Group HY11 earnings before interest, tax, depreciation and amortisation (EBITDA) of \$113m and net profit after tax (NPAT) of \$33.8m, representing increases of 47% and 23% respectively compared to the previous corresponding period.

This result has been driven by continued strong organic subscriber growth, a first full half year EBITDA contribution from PIPE Networks of \$26m, as well as further margin improvement across all of the Group's continuing business operations.

Broadband subscribers increased by 27,000 for the half year (comprising 40,000 On-Net growth, partially offset by a decline in lower margin Off-Net subscribers). The Group's On-Net broadband and home phone bundle has been particularly successful. Launched in April 2010, the number of bundle customers increased from 9,000 to 52,000 in the half year.

The Group has achieved margin improvement again this period across all continuing business divisions. This has been realised through the Group continuing to increase leverage of its own infrastructure to deliver services to customers, as well as through its ongoing commitment to disciplined cost control.

In addition to contributing valuable infrastructure to the Group's operations, PIPE Networks has experienced a very successful half year including the signing of notable dark fibre contracts with ASX, IRESS and VHA.

#### Cash Flow

A working capital adjustment and an abnormally high final tax instalment for FY10 paid in the current period restricted the Group's debt reduction to \$30m in the half year, but underlying cashflow remains very strong. The combination of earnings growth and debt repayments has reduced the Group's debt to annual EBITDA leverage ratio to approximately 1.4 times as at 31 January 2011.

#### Interim Dividend

In light of the strength of the Group's cashflows and earnings growth, the Board of Directors has also declared an increased interim FY11 dividend of 2.25 cents per share (fully franked), payable on 24 May 2011 to shareholders on the register at 19 April 2011.



For this dividend, the directors again invite shareholders to reinvest in the Company through its DRP (Dividend Reinvestment Plan) for which the discount will be 2.0%.

#### Queensland Floods

In relation to the Queensland floods the Group's infrastructure and services were largely unaffected, with the estimated cost to the Group being less than \$100k. The Group made a \$100k contribution in the period to the Queensland Flood Relief appeal which was supplemented by \$9k of donations directly from its staff which the Group also matched.

#### FY11 Guidance

The directors have upgraded the Group's FY11 EBITDA guidance from \$215-225m to a new estimated range of \$225-230m.

David Teoh  
Executive Chairman  
22 March 2011

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