

TPG TELECOM LIMITED (ASX: TPM)

Wednesday, 12 April 2017

TPG TELECOM ACQUIRES 700MHz SPECTRUM IN AUSTRALIA LAUNCHES \$400 MILLION ENTITLEMENT OFFER

TPG Telecom Limited (ASX: TPM) (TPG or the Group) is delighted to advise that it has successfully bid for 2x10MHz of mobile spectrum in the 700MHz band at the recent auction conducted by the Australian Communications and Media Authority (ACMA).

TPG will build a mobile network in Australia using current advanced technology for ~\$1.9 billion, comprising:

- \$600 million for network rollout capital expenditure over a three year period to achieve 80% population coverage; and
- \$1,260 million for the 700 MHz spectrum, which will be payable in three annual instalments.

TPG will fund the capital expenditure for the rollout and the spectrum payments over the next three years through a combination of operating cashflows, and existing and new debt facilities. TPG also announces that it has today launched an accelerated non-renounceable pro-rata entitlement offer to raise \$400 million (the **Entitlement Offer**). The immediate use of the Entitlement Offer proceeds will be to pay down debt, which will then be drawn as needed for the above mentioned capex and spectrum instalment payments.

700MHz spectrum acquisition and TPG's mobile strategy

TPG has long recognised the importance of wireless connectivity to the future needs of Australian telecommunications consumers and believes its unique combination of existing infrastructure, brands, customer base and experience positions the Group to be a powerful participant in that wireless future.

TPG's Executive Chairman and CEO, David Teoh, said "This acquisition of 700MHz spectrum in Australia is a tremendous development for the long-term future of TPG. We are uniquely positioned to leverage our success in the Australian fixed-line broadband market to drive the next phase of growth for TPG's shareholders and bring new competition to the Australian mobile market."

"We believe that our mobile strategy will be complementary to our ongoing fixed line business, with the ability to bundle mobile and fixed services expected to have a beneficial effect on our already low fixed services customer churn."

TPG expects to benefit from numerous 'new entrant advantages' relative to the incumbent operators, including:

- being able to deploy current advanced technology in its network;
- requiring fewer mobile towers;
- having no legacy generations of equipment to support; and
- having no existing customer revenue to protect.

700MHz spectrum is considered the premium spectrum currently in use for mobile networks due to its excellent propagation, meaning fewer towers need to be deployed to cover larger distances, which makes in-building coverage more efficiently provided. Together with the Group's existing portfolio of Australian spectrum holdings – which include spectrum in the 2.5GHz and 1,800MHz bands – TPG is positioned to deliver mobile communications services across Australia. The 700MHz spectrum licence commences from 1 April 2018 and expires on 31 December 2029.

Mobile network construction

TPG will leverage its combination of telecommunications infrastructure assets and industry expertise to construct its network in a cost and time efficient manner. It is expected that the network rollout will require capital expenditure of \$600 million over the initial three years starting in 2018 to cover 80% of the population. The network would provide broad coverage across densely populated areas of the country with approximately 2,000 to 2,500 sites. TPG estimates that its mobile network would be EBITDA break-even with 500k subscribers.

TPG has vital mobile network components already in place, including:

- Enormous backhaul capacity throughout Australia via the Group's 21,000km fibre network;
- Thousands of potential sites for deployment of mobile antennas already connected to that fibre network;
- Portfolio of over 2 million Australian retail and corporate subscribers to upsell mobile services to;
- Significant owned international capacity connecting customers to the rest of the world;
- Call centres and back-office systems already supporting over 2 million retail customers;
- A portfolio of strong brands appealing to a diverse range of demographics; and
- Large scale infrastructure construction and project management expertise with experience in large mobile network building projects such as the construction of 4,000km of dark fibre to Vodafone network towers and the Singapore mobile project.

Mr Teoh stated, "We are delighted to continue to maximise for our shareholders the value of the infrastructure that has been built with their investment and support over many years. The same fibre network infrastructure that is today the core of our fixed retail telecommunications business and driving value services to our corporate and wholesale customers across the country will now also form the cornerstone of our national mobile network."

Mr Teoh added, "This is a significant investment for the Group but one that I expect to be fantastic for our long-term outlook. TPG has had great success over a number of years growing its business and delivering value leading fixed telecommunications services to Australian consumers. Over this time we have consistently achieved attractive profit margins due to TPG's highly efficient low operating cost model and valuable infrastructure. I strongly believe that TPG now has all the ingredients to replicate that success in the exciting mobile telecommunications sector."

Although the Company had previously stated its preference not to raise equity, the Board has deemed it prudent to undertake an Entitlement Offer given its expected capex of approximately \$1.9 billion for a fully operational Australian mobile network.

TPG expects to be able to fund the required capital expenditure for the mobile network as well as the purchase of the spectrum over the next three years based on this Entitlement Offer, its operating cash flow, borrowing capacity, and other capital management options available to it. The gross auction price of \$1,260 million will be paid in instalments of \$605 million (less a deposit of \$10 million), \$352 million and \$352 million (inclusive of interest) due in January 2018, January 2019 and January 2020 respectively.

FY17 Guidance

The TPG Directors reaffirm the guidance provided in March 2017 for underlying EBITDA for the Group for the full year FY17 to be in the range of \$820-830 million.

TPG intends to implement a DRP commencing for the FY17 final dividend. This is expected to remain in place for the next two to three years.

Entitlement Offer

TPG has today launched a 1 for 11.13 accelerated non-renounceable pro-rata entitlement offer to raise \$400 million (the **Entitlement Offer**) at a fixed price of \$5.25 per new share, consisting of:

- an accelerated institutional component to be conducted on Wednesday, 12 April 2017 (**Institutional Entitlement Offer**); and
- a retail component which will open on Friday, 21 April 2017 and close at 5.00pm on Friday, 12 May 2017 (**Retail Entitlement Offer**).

The Offer Price represents:

- a 18.9% discount to dividend-adjusted TERP of \$6.47^{1,2}; and
- a 20.2% discount to the dividend-adjusted closing price of \$6.58² on Tuesday, 11 April 2017.

The Entitlement Offer is non-renounceable and rights will not be traded on the ASX or otherwise transferable. Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

Major shareholders David Teoh and associates, and Washington H. Soul Pattinson, are supportive of TPG's mobile strategy and have pre-committed to take up their full pro-rata entitlements (\$138 million and \$101 million respectively). The balance of the Entitlement Offer will be underwritten by Macquarie Capital (Australia) Limited.

New TPG shares issued under the Entitlement Offer will rank equally with existing TPG shares as at their date of issue.²

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will be conducted today.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to eligible institutional investors at the Offer Price.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7.00pm (AEST), Tuesday, 18 April 2017, have the opportunity to invest in new TPG shares at the Offer Price, on the terms and conditions outlined in the Retail Entitlement Offer Booklet to be sent to eligible retail shareholders on Friday, 21 April 2017.

Please note that shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer.

Retail Investor Enquiries

For further information in regard to the Retail Entitlement Offer, please do not hesitate to contact the Offer Information Line on 1300 855 080 (local call cost within Australia) or +61 (03) 9415 4000 (from outside Australia) at any time between 9.00am and 5.00pm (AEST), Monday to Friday.

¹ The Theoretical Ex-Rights Price (TERP) is the theoretical price at which TPG shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which TPG shares trade at that time will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the closing price on Tuesday 11 April, being \$6.66, adjusted for the 8¢ interim dividend to which participants in the Entitlement Offer will not be entitled.

² Shares issued under the entitlement offer to be issued after the record date of TPG's 1H FY2017 interim dividend and will consequently not be entitled to the dividend payable in May 2017.

For personal use only

Macquarie Capital (Australia) Limited is acting as Sole Underwriter, Sole Bookrunner and Joint Lead Manager and Petra Capital Pty Limited is acting as Joint Lead Manager to the Entitlement Offer. Further details of the Entitlement Offer, including the underwriting arrangements, are contained in the Investor Presentation.

Entitlement Offer indicative timetable

The timetable below is indicative only and subject to change. TPG reserves the right to alter the above dates at its full discretion and without prior notice, subject to the ASX Listing Rules and the Corporations Act.

The quotation of new shares is subject to confirmation from the ASX.

All times below are represent Sydney, Australia time (AEST).

Entitlement Offer

Entitlement Offer announcement	Wednesday, 12 April 2017
Institutional Entitlement Offer conducted	
Trading in TPG shares resumes on an ex-entitlement and ex-dividend basis	Tuesday, 18 April 2017
Record date for determining entitlements for the Entitlement Offer	7.00pm Tuesday, 18 April 2017
Dispatch of Retail Information Booklet	
Retail Entitlement Offer opens	Friday, 21 April 2017
Settlement of Institutional Entitlement Offer	Thursday, 27 April 2017
Allotment and normal trading of new shares issued under the Institutional Entitlement Offer	Friday, 28 April 2017
Retail Entitlement Offer closing date	Friday, 12 May 2017
Settlement of Retail Entitlement Offer	Friday, 19 May 2017
Allotment of new shares issued under the Retail Entitlement Offer	Monday, 22 May 2017
Despatch of holding statements	
Normal trading of new shares issued under the Retail Entitlement Offer	Tuesday, 23 May 2017

Additional information regarding the spectrum acquisition and Entitlement Offer is contained in the investor presentation released to the ASX today, which includes important information (including, key risks and foreign selling restrictions). The Retail Information Booklet will be release separately and mailed to Eligible Retail Shareholders.

If you believe that you are an Eligible Retail Shareholder and you do not receive a copy of the Retail Information Booklet or your personalised Entitlement and Acceptance Form, you can call the Offer Information Line on 1300 855 080 (local call cost within Australia) or +61 (03) 9415 4000 (from outside Australia) at any time between 9.00am and 5.00pm (AEST), Monday to Friday until Friday, 12 May 2017 when the Retail Entitlement Offer closes.

- ENDS -

For personal use only

Not for distribution of release in the United States

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither the entitlements nor the new securities have been, nor will be, registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States.

The entitlements may not be taken up by, and the New Stapled Securities may not be offered or sold to, directly or indirectly, any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

The distribution of this announcement in other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Forward looking statements

This Announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements, including projections, guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This Announcement contains such statements that are subject to risk factors associated with the telecommunications industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to the following risks: earnings, capital expenditure, cash flow and capital structure risks and general business risks. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including TPG). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.

The forward-looking statements in this Announcement speak only as of the date of this Announcement. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, TPG and its directors, officers, employees, advisers, agents, and intermediaries (including the underwriters) disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this Announcement to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this Announcement will under any circumstances create an implication that there has been no change in the affairs of TPG since the date of this Announcement.

For personal use only