

Market Announcements Office
Australian Securities Exchange
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TPG Telecom signs regional network sharing agreements with Optus

TPG Telecom Limited (ASX: TPG) (**TPG Telecom**) and Optus Mobile Pty Limited (**Optus**) have announced that they have signed agreements to create a regional Multi-Operator Core Network (**MOCN**) to extend TPG Telecom's 4G and 5G mobile network to reach 98.4 per cent of the Australian population. Key details of the agreements are outlined below and a joint media release is attached.

Under the network sharing arrangement, TPG Telecom will increase its mobile network from around 755 to 2,444 network sites in regional Australia, more than doubling its national coverage from around 400,000 square kilometres to around 1,000,000 square kilometres.

TPG Telecom CEO Iñaki Berroeta said, "This deal represents a major breakthrough in TPG's ambitions to deliver greater choice and value to more Australians and grow the scale of our business in the most efficient way possible. Network infrastructure sharing of this kind avoids unnecessary capital investment and high operating costs, meaning there is more value for shareholders and less cost to pass on to customers. The transaction will also allow TPG to monetise its spectrum holdings in regional Australia in ways that were not otherwise possible."

Network and customer benefits

- TPG Telecom's number of regional mobile sites will increase by more than 3 times to 2,444, more than doubling the geographic coverage of its mobile network to reach 98.4 per cent of the population. TPG Telecom will also gain access to the Optus 5G regional network as it is rolled-out.
- All TPG Telecom customers and brands, including Vodafone, TPG, iiNet, Lebara and felix across consumer, enterprise, government and wholesale, will benefit from this network sharing agreement.
- Services include voice, data, SMS, fixed wireless and IoT for consumer and enterprise-grade customers.
- The regional MOCN will use both Optus and TPG Telecom spectrum delivering improved service quality and speeds for all customers.
- The MOCN agreement will run for 11 years, with an option for TPG Telecom to extend for a further five-years.

- Both carriers will continue to operate their own core networks, enabling differentiation of service for customers, and independent control of security and resiliency.
- Subject to regulatory approvals, the regional MOCN is expected to be operational from early 2025.

Financial details

The regional network sharing arrangement is expected to create significant value for TPG Telecom. It enables the Vodafone, TPG, iiNet, Lebara and felix mobile brands to better compete for regional customers as well as metropolitan customers who require regional mobile network coverage.

The arrangement will enable TPG Telecom to avoid future operating and capital expenditure that would have been required to operate, maintain and expand its own regional mobile network.

Net of spectrum receipts, TPG Telecom's total estimated payments to Optus amount to approximately \$1.17 billion over the 11-year term. This represents around one-third of the costs TPG Telecom estimates it would incur to build, operate and maintain a similar network in regional Australia.

TPG Telecom expects to pay Optus total service fees of approximately \$1.59 billion over the 11-year term. These fees comprise a fixed component of approximately \$900 million and additional fees for 2,444 5G sites that are expected to total approximately \$690 million over the term. TPG Telecom's annual 5G site fee component will grow as Optus accelerates the upgrade of its regional network to 5G before completion in 2030.

The arrangement will also allow TPG Telecom to monetise its under-utilised spectrum holdings in regional Australia. TPG Telecom will receive an annualised income of approximately \$38 million starting in FY25. Assuming a similar level of spectrum will be licensed to Optus over the entire 11-year term, the estimated spectrum receipts from Optus will total approximately \$420 million.

This active network sharing arrangement builds upon the existing passive equipment sharing joint venture between TPG Telecom and Optus, which includes around 3,500 sites in metropolitan areas, and establishes a platform for potential expansion of sharing arrangements which could unlock further capital and operating cost efficiencies and improve network services for customers.

Based on current estimates and subject to the implementation of the MOCN, including the decommissioning of TPG Telecom's regional network, TPG Telecom expects to avoid cumulative gross cash costs of \$575 million to \$675 million before increases in associated go-to-market expenses over the 11-year term. The reduction in cash costs is due to the avoidance of capital expenditure and savings in operating expenses and lease payments over the 11-year term, including the avoidance of upgrading TPG Telecom's regional network to 5G and savings in network transmission, electricity, network operations and maintenance costs.

The network sharing arrangement will reduce TPG Telecom's expected cash capital expenditure from approximately \$1,050 million to approximately \$1,020 million in FY24, inclusive of MOCN implementation costs, and from approximately \$1 billion to approximately \$950 million in FY25 and FY26.

TPG Telecom expects this significant increase in the size and performance of its mobile network will enable it to accelerate mobile subscriber growth over time as a result of reduced churn and increased addressable market. Relative to retaining and upgrading TPG Telecom's regional network, TPG Telecom expects the MOCN arrangement to achieve break-even in cash terms from FY26 onwards.

As part of the arrangement, several TPG Telecom mobile sites may be transferred to Optus and used to improve service quality and capacity in the regional MOCN. TPG Telecom intends to decommission the balance of its 755 mobile sites in the MOCN area.

Subject to the timing of regulatory approval, in FY24 TPG Telecom expects to recognise \$230 million to \$250 million of non-cash charges related to the 755 total network sites within the MOCN area. These one-off non-cash costs comprise approximately:

- \$170 million to \$180 million of non-cash impairment of right-of-use assets related to onerous leases within the MOCN area;
- \$25 million to \$30 million of non-cash impairment of existing network infrastructure assets; and
- \$35 million to \$40 million provision for network decommissioning costs.

Subject to the timing of regulatory approval, in FY25 TPG Telecom expects a negative EBITDA impact of approximately \$55 million to \$65 million, inclusive of MOCN fees to Optus, operating expense savings, spectrum receipts from Optus and increased go-to-market expenses. This will be offset on a cash basis with a \$50 million reduction in capex requirements. A negative NPAT impact of approximately \$10 million to \$20 million is estimated in FY25.

There is no change to TPG Telecom's EBITDA guidance for FY24. Assuming no material change in operating conditions, TPG Telecom continues to expect EBITDA for FY24 to be between \$1,950 million and \$2,025 million, including transformation costs but excluding any material one-off items.¹ Impairments and one-off costs associated with the MOCN would be excluded from the guidance definition of EBITDA as they would be considered material one-off items.

Authorised for lodgement with ASX by the TPG Telecom Market Disclosure Committee.

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JOINT MEDIA RELEASE

29 April 2024

TPG Telecom and Optus sign network sharing agreement marking new era of mobile services for regional Australia

TPG Telecom Limited (ASX: TPG) (**TPG Telecom**) and Optus Mobile Pty Limited (**Optus**) have announced a new agreement that will strengthen the regional mobile network and pave the way for a new era of choice and competition for customers across regional Australia.

Under the regional Multi-Operator Core Network (MOCN) agreement, Optus will provide TPG Telecom with access to its regional radio access network and they will share spectrum in regional Australia.

TPG Telecom will gain access to 2,444 Optus mobile network sites in regional Australia, increasing its current national 4G coverage from around 400,000 square kilometres to around 1,000,000 square kilometres and 98.4 per cent of the population.

Optus will licence some of TPG's spectrum for use in the MOCN, delivering enhanced capacity, speed and service quality to TPG and Optus customers in regional Australia.

Customers and communities will also benefit from Optus' commitment to accelerate its 5G rollout in the regions, fast-tracking the number of 5G sites in the regional MOCN to 1500 by 2028 and 2,444 by the end of 2030.

Once implemented, TPG Telecom's retail and wholesale customers (including Vodafone, TPG, iiNet, Lebara and Felix customers) will use Optus' 4G and 5G regional network on an equivalent basis to Optus customers.

Optus and TPG will operate their own core networks which will allow them to each maintain network control, enabling differentiation of service for customers, and independent control of security and resiliency. They will also continue to operate their own 4G and 5G radio access networks in metropolitan areas.

Optus Interim CEO Michael Venter said the agreement was a significant win for regional Australia.

"For over 30 years Optus has brought choice and competition to Australia through investment in network services and infrastructure. This is a win for all Australians, especially our regional communities, businesses, and visitors," Mr Venter said.

“Optus and TPG Telecom will be positioned to provide consumers with more choice and better services as we accelerate our investment in the regions.

“The agreement will reduce combined 5G network rollout costs in regional Australia, which will enable the rollout of 5G infrastructure to be completed two years earlier than previously planned,” Mr Venter said.

TPG Telecom CEO Iñaki Berroeta said the network sharing agreement would significantly extend the telco’s mobile network reach across Australia and enable growth of its customer base in regional and metropolitan areas.

“This network sharing arrangement will reset the competitive landscape for mobile services in regional areas and provide Australians with more choice than ever before,” Mr Berroeta said.

Mr Berroeta said by sharing regional network assets, TPG and Optus can bring coverage benefits to customers at a significantly lower cost than duplicating infrastructure.

“This will allow us to reduce rollout and operating costs, make better use of network assets and deliver huge customer benefits,” Mr Berroeta said.

“In a country as large as Australia, this is the sustainable approach we need to maximise established infrastructure, and expand the reach of telecommunications services, competition and choice for consumers.”

This active network sharing arrangement brings together two largely duplicated regional networks delivering a total bigger network with more capacity for customers of both TPG Telecom and Optus. This builds upon the existing passive equipment sharing joint venture between TPG Telecom and Optus, which includes around 3,500 sites in metropolitan areas, and paves the way for potential expansion of sharing arrangements allowing them to unlock further capital and operating cost efficiencies and improve network services for customers.

The non-exclusive MOCN agreement has an initial term of 11 years and includes an option for TPG Telecom to extend the agreement for a further five years.

Subject to relevant regulatory approvals, the MOCN is expected to be available to TPG and Optus customers in early 2025.

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