Market Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

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TPG Telecom agrees sale of fibre and fixed EGW assets to Vocus

TPG Telecom Limited (ASX: TPG) (**TPG** or the **Company**) has today announced that it has entered into a binding Share Purchase Agreement (**SPA**) to sell its fibre network infrastructure assets and Enterprise, Government and Wholesale (**EGW**) fixed business, including Vision Network, to Vocus Group Limited (**Vocus**) for an enterprise value of $5,250 million[1] (the **Transaction**) including a potential $250 million Contingent Value Payment[2]. TPG will retain its mobile radio network infrastructure, Consumer and EGW mobile business and its Consumer and small office/home office fixed retail business, including fixed wireless. Vocus will provide fixed network services back to TPG as part of the Transaction terms.

The parties are targeting completion of the Transaction in the second half of 2025 subject to satisfaction of conditions precedent, including regulatory approvals, as set out in more detail below. At completion, TPG anticipates the Transaction will deliver net cash proceeds to the Company of $4,650 - $4,750 million[3]. TPG intends to use these proceeds to support future capital management and business investment initiatives. Details of such future initiatives have not yet been determined and remain subject to development. TPG anticipates providing more detail to the market around the time of Transaction completion.

TPG Telecom CEO Iñaki Berroeta said: “We are pleased to announce this transaction and the successful conclusion of the strategic review of our fibre network infrastructure assets. The transaction reflects a smaller asset perimeter compared with the original discussions with Vocus in 2023, resulting in a simpler operating model than was envisaged in the original discussions. The deal unlocks the value of our fixed infrastructure assets while strengthening our financial position and creating a more focused and streamlined business with significant optionality for the optimisation of our capital structure.”

“This is also a great outcome for large customers for fixed telecommunications services in Australia. The transaction will create a challenger of scale in the enterprise connectivity sector with strength in international, inter-capital, regional and metropolitan connectivity. It

[1] Enterprise value includes $40 million contribution by Vocus to TPG Separation Costs and excludes TPG’s $100 million contribution to Buyer Transaction Costs.
[2] Contingent Value Payment subject to the meeting of certain subscriber targets for the Vision Network wholesale residential fixed access business between two and four years after completion.
[3] Net cash proceeds are calculated as enterprise value ($5,250 million) less Contingent Value Payment ($250 million), TPG’s contribution to Buyer Transaction Costs ($100 million), estimated Seller Transaction Costs including stamp duty and other cash tax impacts, but prior to the impact of any TPG Separation Costs.

will also extend Vocus' premium connectivity and collaboration offerings to TPG Telecom's Enterprise, Government and Wholesale fixed customers."

"We look forward to a long-term partnership with Vocus that will support TPG Telecom's ambition to be Australia's best telco. We are committed to working as efficiently as possible with Vocus and regulators to bring the Transaction to completion and providing the smoothest possible transition for our Enterprise, Government and Wholesale fixed customers and the approximately 560 TPG people who will transition to Vocus."

The Transaction includes TPG entering a Transmission and Wholesale Fibre Access Agreement (**TAWFA**) with Vocus under which Vocus will provide network services to TPG for a fee of $130 million[4] per annum. The TAWFA has an initial 15-year term with two 10-year extensions at TPG's election. The TAWFA has been designed to ensure TPG maintains "owner economics" of the fibre network, meaning pricing is non-volumetric and increased only in relation to indexed and capped inflation and network expansion requiring the deployment of new physical infrastructure.

TPG anticipates approximately 50% of the TAWFA payment will be accounted as a lease expense and the remainder recognised within EBITDA.

Using the financial year ended 31 December 2023 (FY23) as the base, the following approximate impacts on TPG Telecom's group financial results are estimated on a proforma basis:

- $429 million decrease in EBITDA[5] to $1,494 million
- $334 million decrease in Operating Free Cash Flow[6], prior to any working capital impacts, (equal to EBITDA impact, net lease cost impact of $52 million and decrease in capital expenditure of $147 million)
- $232 million decrease in depreciation and amortisation expense to $1,240 million
- $198 million decrease in EBIT[5] to $253 million.

Further details of the Transaction

Shortly before completion of the Transaction, TPG will complete an internal restructure, subject to Foreign Investment Review Board (**FIRB**) approval, to transfer all Transaction assets into a wholly owned subsidiary which will be sold to Vocus.

Completion of the Transaction remains subject to various conditions precedent, including completion of the internal restructure, there being no material adverse change in the business being sold, and various regulatory approvals, including those by FIRB, the Australian Competition & Consumer Commission, the Committee on Foreign Investment in the United States, and the US Federal Communications Commission. TPG will provide updates to the market on progress of the Transaction.

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[4] FY24 equivalent TAWFA payment. Actual TAWFA payment subject to capped annual inflation beginning in January 2025.

[5] FY23 pro forma post-Transaction EBITDA/EBIT excludes material one-offs of $31 million for transaction costs and $17 million for Internode brand impairment and does not include any one-off impacts of the Transaction, such as Seller Transaction Costs, TPG Separation Costs and gains on sale.

[6] Operating Free Cash Flow measures cash flow from operations less capital expenditure, finance lease repayments and finance lease interest (within cash flow from financing activities). For the purposes of the FY23 proforma impacts, Operating Free Cash Flow excludes cash tax arising from income tax obligations. It does not include payments for spectrum and dividends and excludes any loan payments/drawdowns.

The SPA can be terminated if the conditions are not satisfied or waived or become incapable of being satisfied. TPG is giving a range of warranties and indemnities (**W&I**) in favour of Vocus under the SPA, supported by a W&I insurance regime with third-party insurers.

Non-recurring financial impacts

TPG expects to recognise an accounting gain on completion of the Transaction after recognition of the Transaction consideration, transaction costs, derecognition of assets disposed including goodwill, and recognition of new right-of-use assets and lease liabilities. TPG anticipates it will utilise all deferred tax assets in relation to losses currently recognised on the Company's balance sheet against the gain on sale.

TPG estimates total Seller Transaction Costs[7] of approximately $45 million to $55 million and net Separation Costs[8] in the range of $80 million to $120 million spread over FY24, FY25 and FY26.

FY24 financial impact

There is no change to TPG's guidance for FY24 EBITDA of $1,950 million to $2,025 million excluding material one-offs[9] and cash capital expenditure excluding spectrum payments of approximately $1,020 million. As noted at TPG's FY24 half-year results on 30 August 2024, TPG is tracking towards the mid-point of the EBITDA guidance range. Material one-off costs arising from the Transaction are excluded from guidance EBITDA.

Authorised for lodgement with ASX by the TPG Telecom Limited Board.

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[7] Seller Transaction Costs means fees and other costs incurred by TPG as a result of the Transaction including but not limited to advisory, legal and other third-party support fees.
[8] TPG Separation Costs means TPG's cost of preparing Transaction assets including network and IT systems for transfer to Vocus and is net of $40 million capped contribution from Vocus.
[9] EBITDA guidance is subject to no material change in operating conditions and excludes any impact of material one-offs such as transaction costs, restructuring, mergers and acquisitions, disposals, impairments, and such other items as determined by the Board and management.