

## TPG Telecom

### FY24 result

TPG reported underlying EBITDA of A\$1,988 million, mostly in line with guidance and consensus expectations. The highlight was Mobile service revenues growing 5% year-over-year, but offset with declines in the Fixed segment. Cost control has been emphasized and significant improvements in free cash flow was also a positive. Earnings are expected to be stronger in the latter half of the year due to MOCN impacts and increased marketing as TPG reduce capex guidance. Our revisions for FY25/FY26 reflect only slight adjustments and we await updates (Investor Day) & catalysts including the ACCC review findings and the completion of the fixed asset sale. **Retain Neutral; PT A\$5.30.**

- Underlying business trends:** TPG reported underlying EBITDA of A \$1,988m, at the mid-point of the FY24 guidance range, and in-line with JPMe/ consensus. Importantly, top-line growth was attributable to mobile service revenues (+5% y/y), which were offset by a decline in Fixed. Mobile ARPU growth (up 4%) was offset by a decline in subs which faced challenges due to aggressive competitor handset discounting and lower international arrivals. In addition, consumer gross margins increased ~430bps y/y (+40bps sequentially). Phrased differently, sales and earnings growth for the core operations were offset by headwinds experienced by the soon to be divested EG&W assets.
- Margins, costs, returns, FCF, gearing:** Cost control was a key theme in the FY24 result and outlook for FY25. Group gross margins increased 210bps y/y, albeit there was a slight sequential decline vs. 1H24 (-50bps). However, as mentioned, this was due to declines in the soon to be divested EG&W Fixed business. The rate of opex growth also slowed into 2H25, with guidance for FY25 flat operating costs (in real terms).
- FY25 guidance:** Headline FY25 EBITDA guidance is in-line with FY24 (between A\$1,950m to A\$2,025m). However, there are a number of moving parts to note. Firstly, guidance includes an initial A\$55m to A\$65m impact from MOCN. Earnings are also expected to be skewed towards 2H25 reflective of the MOCN impact and increased marketing spend. While early in the ramp-up, customer traction has been strong with mgmt. flagging Vodafone postpaid port-ins tracking at +50% YTD. **FY25 capex:** Guidance of ~A\$900m (excl. spectrum) came in below our prior ~A\$1bn estimate.
- Forecasts, earnings and valuation:** Our earnings revisions (FY25/FY26 EBITDA -2%/+2%) largely reflect the mid point of FY25 guidance, and skew towards 2H25. We have also lowered our capex (ex. spectrum) estimate from ~A\$1bn to ~A\$900m. Upcoming catalysts include the ACCC review findings for the EGW Fixed asset sale on the 27<sup>th</sup> March, completion of the sale in 2H25 (subject to approval), and a subsequent Investor Day. **Retain Neutral; price target A\$5.30.**

### Neutral

**TPG.AX, TPG AU**  
Price (28 Feb 25): A\$4.63

▲ **Price Target (Jun-25): A\$5.30**  
Prior (Jun-25): A\$5.10

### Australia

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#### Key Changes (FYE Dec)

	Prev	Cur
Adj. EBITDA - 25E (A\$ mn)	2,023	1,988
Adj. EBITDA - 26E (A\$ mn)	2,099	2,139

#### Half Yearly Forecasts (FYE Dec)

Adj. EBITDA (A\$ mn)	2024A	2025E	2026E
H1	974	965	1,055
H2	738	1,023	1,084
FY	1,712	1,988	2,139

#### Style Exposure

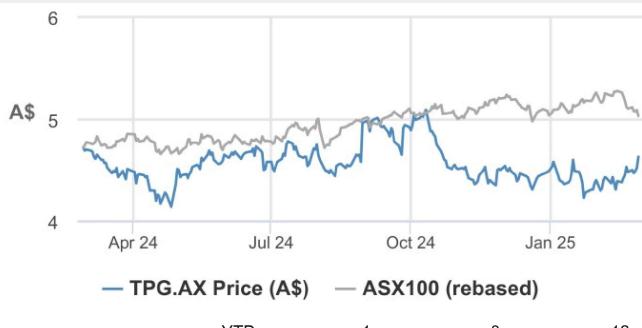
Quant Factors	Current %Rank	Hist %Rank (1=Top)				
		6M	1Y	3Y	5Y	
Value	31	47	39	8	100	
Growth	70	78	93	85	16	
Momentum	39	70	54	85	8	
Quality	100	78	85	39		
Low Vol	24	47	31	8	62	

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

#### See page 7 for analyst certification and important disclosures, including non-US analyst disclosures.

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## Price Performance



## Company Data

Shares O/S (mn)	1,859
52-week range (A\$)	5.17-4.14
Market cap (\$ mn)	5,368.39
Exchange rate	1.60
Free float (%)	26.3%
3M ADV (mn)	1.16
3M ADV (\$ mn)	3.2
Volatility (90 Day)	20
Index	ASX 100
BIG ANR (Buy   Hold   Sell)	5 6 2

## Key Metrics (FYE Dec)

	FY24A	FY25E	FY26E	FY27E
<b>Financial Estimates</b>				
Revenue	5,520	5,733	5,973	6,212
Adj. EBIT	227	493	645	786
Adj. EBITDA	1,712	1,988	2,139	2,248
Adj. net income	638	556	714	869
Adj. EPS	0.34	0.30	0.38	0.47
BBG EPS	0.18	0.33	0.38	0.14
Cashflow from operations	1,550	1,491	1,736	1,863
FCFF	2,733	(453)	520	948
<b>Margins and Growth</b>				
Revenue Growth Y/Y (%)	(0.2%)	3.9%	4.2%	4.0%
EBIT margin	4.1%	8.6%	10.8%	12.6%
EBIT Growth Y/Y (%)	(43.7%)	117.1%	31.0%	21.8%
EBITDA margin	31.0%	34.7%	35.8%	36.2%
EBITDA Growth Y/Y (%)	(8.7%)	16.1%	7.6%	5.1%
Net margin	11.6%	9.7%	12.0%	14.0%
Adj. EPS growth	9.2%	(12.8%)	28.5%	21.6%
<b>Ratios</b>				
Adj. tax rate	(522.5%)	371.1%	158.4%	101.6%
Interest cover	4.5	5.3	5.8	6.3
Net debt/Equity	0.5	0.6	0.5	0.5
Net debt/EBITDA	3.6	3.0	2.7	2.5
ROE	5.6%	5.0%	6.6%	8.1%
<b>Valuation</b>				
FCFF yield	31.7%	(5.3%)	6.0%	11.0%
Dividend yield	3.9%	3.7%	4.3%	5.2%
EV/Revenue	2.7	2.6	2.4	2.3
EV/EBITDA	8.6	7.4	6.8	6.3
Adj. P/E	13.5	15.5	12.0	9.9

## Summary Investment Thesis and Valuation

### Investment Thesis

Despite the difficult competitive backdrop TPG is currently facing, the company is performing well operationally with a strategy to moderate costs. The balance sheet remains at risk, however, with better cash flow generation and capex intensity dropping, management appears confident of addressing the leverage issues. TPG currently has a strategic review underway possibly including asset divestments and/or re-securitisation of receivables. Additionally, we believe the proposed MOCN 2.0 agreement with Optus could materially change the company's product quality and drive market-share gains. However, postpaid subscriber growth has been anaemic since the company announced refreshed prices earlier in the year and with the stock trading close to our price target and the competitive outlook continuing to look challenging, we rate it Neutral.

### Valuation

Our June 2025 price target of A\$5.30 is based on our DCF valuation assuming a WACC of 8.3%, equity risk premium of 5.5%, risk-free rate of 3.5%, and perpetual growth rate of 2.5%.

## Performance Drivers

Market	17%
Sector	0%
Macro	4%
Style	12%
Idiosyn.	66%
<b>Factors</b>	
Market: MSCI Australia	0.35
Sect: Telecom Services	-0.11
Ind: Telecom Serv	-0.13
Macro:	
Australia Breakeven 10Yr	-0.24
TR/CC CRB ER Index	-0.06
Crude Oil	-0.02
Quant Styles:	
Momentum	-0.46
Quality	-0.47
Growth	-0.11
	-0.32
	-0.23
	-0.10

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

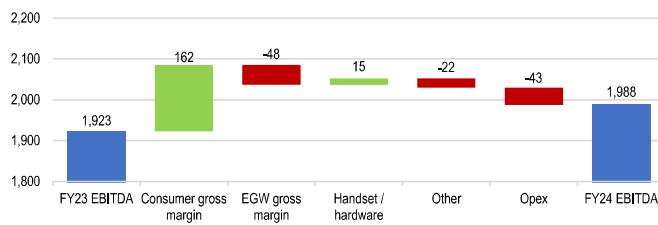
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## Charting the focal points

### Underlying trends...

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Figure 1: TPG – FY24 EBITDA bridge (A\$m)

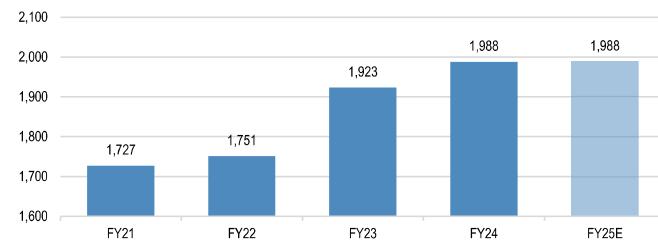


Source: Company reports.

### FY25 guidance...

Headline FY25 guidance is in-line with FY24 (between A\$1,950m to A\$2,025m). However, there are a number of moving parts to note. Firstly, guidance includes an initial A\$55m to A\$65m impact from MOCN. Earnings are also expected to be skewed towards 2H25 reflective of the MOCN impact and increased marketing spend. While early in the ramp-up, customer traction has been strong with mgmt. flagging Vodafone postpaid port-ins tracking at +50% YTD. **FY25 capex:** Guidance of ~A\$900m (excl. spectrum) came in below our prior ~A\$1bn estimate.

Figure 3: TPG – EBITDA (A\$m)

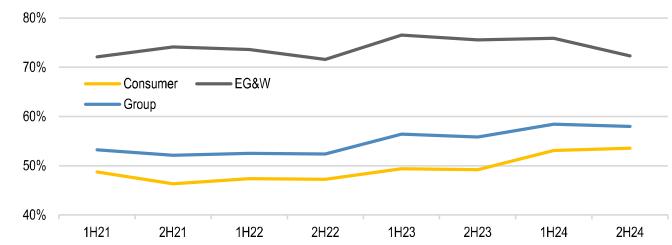


Source: Company reports, J.P. Morgan estimates.

### Margins, costs...

Cost control was a key theme in the FY24 result and outlook for FY25. Group gross margins increased 210bps y/y, albeit there was a slight sequential decline vs. 1H24 (-50bps). However, as mentioned, this was due to declines in the soon to be divested EG&W Fixed business. The rate of opex growth also slowed into 2H25, with guidance for FY25 flat operating costs (in real terms).

Figure 2: TPG – Gross margins (%)

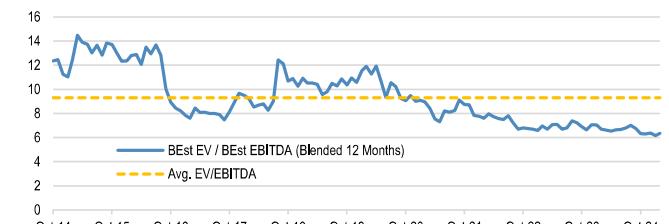


Source: Company reports.

### Earnings & valuation

Our earnings revisions (FY25/FY26 EBITDA -2%/+2%) largely reflect the mid-point of FY25 guidance, and skew towards 2H25. We have also lowered our capex (ex. spectrum) from ~A\$1bn to ~A \$900m. Upcoming catalysts include the ACCC review findings for the EGW Fixed asset sale on the 27<sup>th</sup> March, completion of the sale in 2H25 (subject to approval), and a subsequent Investor Day. **Retain Neutral; price target A\$5.30.**

Figure 4: TPG – EV/EBITDA (x)



Source: Bloomberg Finance L.P.

## Earnings estimate revisions

Our earnings revisions (FY25/FY26 EBITDA -2%/+2%) largely reflect the mid point of FY25 guidance, and skew towards 2H25. We have also lowered our capex (ex. spectrum) from ~A\$1bn to ~A\$900m. Upcoming catalysts include the ACCC review findings for the EGW Fixed asset sale on the 27<sup>th</sup> March, completion of the sale in 2H25 (subject to approval), and a subsequent Investor Day. **Retain Neutral; price target A \$5.30.**

Figure 5: TPG - Earnings revisions

		CY2024			CY2025			CY2026		
		New	Old	Change	New	Old	Change	New	Old	Change
Revenue	A\$m	5,536	5,520	0%	5,733	5,735	0%	5,973	5,913	1%
Operating Expenses	A\$m	-3,628	-3,558	2%	-3,744	-3,712	1%	-3,834	-3,814	1%
Reported EBITDA	A\$m	1,908	1,963	-3%	1,988	2,023	-2%	2,139	2,099	2%
Reported EBIT	A\$m	417	502	-17%	493	523	-6%	645	620	4%
Reported NPAT	A\$m	30	80	-63%	83	93	-11%	194	163	18%
NPATA	A\$m	581	588	-1%	556	563	-1%	714	664	8%
NPV	A\$m	9,899	9,519	4%						
	A\$/share	5.32	5.12	4%						

Source: Company reports, J.P. Morgan estimates.

## Investment Thesis, Valuation and Risks

### TPG Telecom (*Neutral; Price Target: A\$5.30*)

#### Investment Thesis

Despite the difficult competitive backdrop TPG is currently facing, the company is performing well operationally with a strategy to moderate costs. The balance sheet remains at risk, however, with better cash flow generation and capex intensity dropping, management appears confident of addressing the leverage issues. TPG currently has a strategic review underway possibly including asset divestments and/or re-securitisation of receivables. Additionally, we believe the proposed MOCN 2.0 agreement with Optus could materially change the company's product quality and drive market-share gains. However, postpaid subscriber growth has been anaemic since the company announced refreshed prices earlier in the year and with the stock trading close to our price target and the competitive outlook continuing to look challenging, we rate it Neutral.

#### Valuation

Our June 2025 price target of A\$5.30 is based on our DCF valuation assuming a WACC of 8.3%, equity risk premium of 5.5%, risk-free rate of 3.5%, and perpetual growth rate of 2.5%.

Enterprise value	A\$m	16,208
Net debt	A\$m	6,309
<b>Equity value</b>	<b>A\$m</b>	<b>9,899</b>
Shares issued	million	1,859
<b>Per share</b>	<b>A\$/share</b>	<b>5.32</b>

Source: J.P. Morgan estimates.

#### Risks to Rating and Price Target

Upside risks include: (1) Mobile and fixed subscriber adds come in better than expected. (2) ARPU growth is better than expected. (3) Increased investment in the business results in better than expected market-share gains.

Downside risks include: (1) Mobile and fixed subscriber adds come in lower than expected. (2) Increased investment in the business does not result in meaningful market-share gains. (3) The balance sheet leverage remains above the company's targeted range.

**TPG Telecom**

A\$ in millions, year end Dec

Profit And Loss	FY23	FY24	FY25E	FY26E	FY27E	Valuation Summary	Relative recommendation:				
							A\$m	A\$ps	Neutral		
<b>Revenue</b>	<b>5,533</b>	<b>5,520</b>	<b>5,733</b>	<b>5,973</b>	<b>6,212</b>	Current mkt capitalisation		8,608.75		4.63	
Revenue growth	2.2%	(0.2%)	3.9%	4.2%	4.0%						
COGS	(2,464)	(2,319)	(2,446)	(2,514)	(2,598)	Price Target				5.30	
Operating Expenses	(1,230)	(1,501)	(1,308)	(1,330)	(1,378)	Capital growth to price target				14.5%	
<b>EBITDA</b>	<b>1,875</b>	<b>1,712</b>	<b>1,988</b>	<b>2,139</b>	<b>2,248</b>						
EBITDA growth	(12.2%)	(8.7%)	16.1%	7.6%	5.1%						
EBITDA margin	33.9%	31.0%	34.7%	35.8%	36.2%	PE Pre-abnormals	FY23	14.7	FY24	15.5	FY27E
Amortisation	(707)	(723)	(737)	(747)	(758)	PE Reported		175.7	NM	104.2	28.5
Depreciation	(765)	(762)	(759)	(747)	(704)	EV/EBITDA		7.8	8.6	7.4	6.3
<b>EBIT</b>	<b>403</b>	<b>227</b>	<b>493</b>	<b>645</b>	<b>786</b>	EV/EBIT		36.4	64.9	29.7	18.0
Other Income	-	-	-	-	-						
Other Expenses	-	-	-	-	-						
Net Interest	(341)	(378)	(375)	(369)	(355)	Key Ratios	FY23		FY24		FY27E
<b>Pre-Tax Profit</b>	<b>62</b>	<b>(151)</b>	<b>118</b>	<b>276</b>	<b>431</b>	Dividend Yield		3.9%	3.9%	3.7%	4.3%
Tax	522	789	438	438	438	Franking		100.0%	100.0%	100.0%	100.0%
Tax Rate	841.9%	(522.5%)	371.1%	158.4%	101.6%	Return on Assets (%)		3.0%	3.3%	2.9%	3.8%
Minorities	0	0	0	0	0	Return on Equity (%)		5.0%	5.6%	5.0%	6.6%
Abnormals (post tax)	(535)	(745)	(473)	(521)	(567)	ROIC (%)		-	-	-	-
<b>Reported NPAT</b>	<b>49</b>	<b>(107)</b>	<b>83</b>	<b>194</b>	<b>302</b>	Leverage	FY23		FY24		FY27E
Normalised NPAT	584	638	556	714	869	Gearing (Net Debt / Equity)		0.5	0.5	0.6	0.5
Growth	(43.0%)	9.2%	(12.8%)	28.5%	21.6%	Gearing (ND / (ND + E))		34.3%	35.4%	35.6%	35.2%
End of Period Shares	1,859	1,859	1,859	1,859	1,859	Net Debt / EBITDA		3.2	3.6	3.0	2.7
EFPOWA	1,859	1,859	1,859	1,859	1,859	EBIT Interest Cover (x)		1.2	0.6	1.3	1.7
Reported EPS	0.03	(0.06)	0.04	0.10	0.16	Balance Sheet	FY23		FY24		FY27E
<b>Normalised EPS</b>	<b>0.31</b>	<b>0.34</b>	<b>0.30</b>	<b>0.38</b>	<b>0.47</b>	Cash		116	42	200	200
Growth	(43.0%)	9.2%	(12.8%)	28.5%	21.6%	Receivables		968	972	1,047	1,110
DPS	0.18	0.18	0.17	0.20	0.24	Investments					
Growth	0.0%	0.0%	(5.6%)	17.6%	20.0%	Inventories		117	82	100	103
DPS/EPS payout	683.0%	NM	382.5%	192.2%	147.9%	Other Current Assets		83	65	65	65
<b>Cash Flow Statement</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	Total Current Assets		1,284	1,161	1,413	1,479
Net Profit for Cashflow	49	(107)	83	194	302	Net PPE		3,795	3,865	4,074	4,295
Depreciation & Amortisation	1,472	1,485	1,496	1,494	1,462	Total Intangibles		13,930	13,392	12,783	11,681
Non Cash Items	-	-	-	-	-	Other Non Current Assets		659	676	641	558
Working Capital Changes	(318)	172	(88)	48	99	Total Non Current Assets		18,384	17,933	17,498	17,089
Other Operating Cashflows	-	-	-	-	-	Non Current Assets					16,604
Cashflow from Operating Activities	1,203	1,550	1,491	1,736	1,863	Total Assets		19,668	19,094	18,910	18,568
Capex	(1,154)	(1,170)	(928)	(1,000)	(909)	Creditors		1,174	1,031	1,001	1,033
Net Acquisitions						Current Borrowings		0	0	0	0
Other Investing cashflows	4	8	0	0	0	Current Tax Provisions		0	0	0	0
<b>Investing Cash Flow</b>	<b>(1,150)</b>	<b>(1,162)</b>	<b>(928)</b>	<b>(1,000)</b>	<b>(909)</b>	Other Current Provisions		91	92	92	92
Inc/(Dec) in Borrowings	400	20	80	(196)	(340)	Other Current Liabilities		457	483	483	483
Equity Issued	0	0	0	0	0	Other Current Liabilities					
Dividends Paid						Total Current Liabilities		1,722	1,606	1,576	1,608
Other Financing Cashflows	(451)	(482)	(484)	(540)	(614)	Total Liabilities		8,051	7,921	7,971	7,807
<b>Financing Cash Flow</b>	<b>(51)</b>	<b>(462)</b>	<b>(405)</b>	<b>(736)</b>	<b>(954)</b>	Equity		18,399	18,399	18,399	18,399
Net Cash Flow	2	(74)	158	0	0	Reserves		0	(2)	(2)	(2)
						Retained Profits		(6,782)	(7,224)	(7,457)	(7,636)
						Outside Equity Interests		0	0	0	0
						Total Shareholders Equity		11,617	11,173	10,940	10,761
						Net Debt		6,072	6,126	6,048	5,852

Source: Company reports and J.P. Morgan estimates.

Note: A\$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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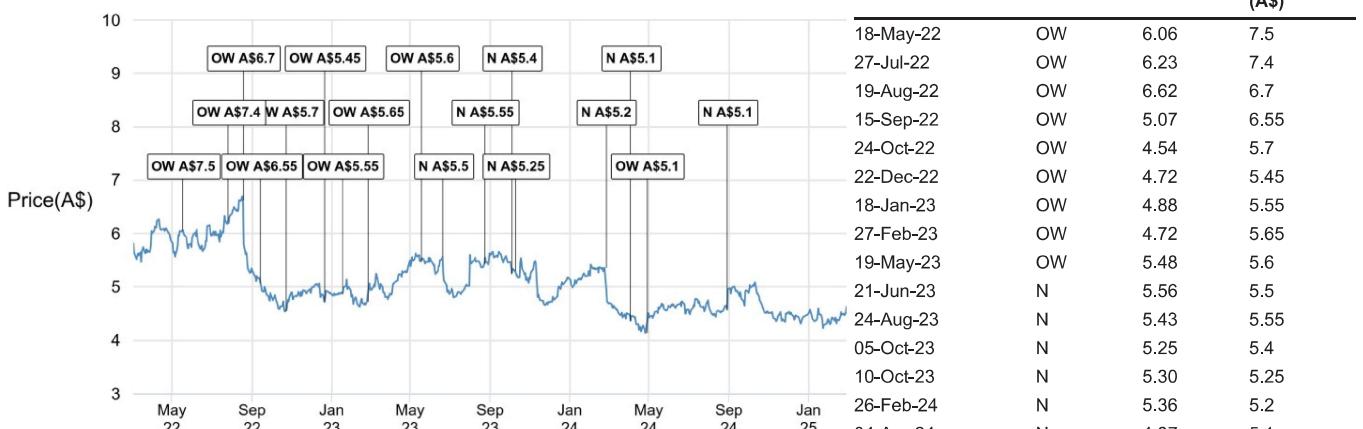
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TPG Telecom (TPG.AX, TPG AU) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage Jul 10, 2013. All share prices are as of market close on the previous business day.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.  
 J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

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