

Market Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
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Sydney, 8 October 2025

Fitch Ratings Report

Please find attached a report on TPG Telecom Limited (ASX: TPG) issued by Fitch Ratings today.

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

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RATING ACTION COMMENTARY

Fitch Publishes TPG's First Time 'BBB' Rating; Outlook Stable

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Fitch Ratings - Singapore/Sydney - 07 Oct 2025: Fitch Ratings has published Australia-based TPG Telecom Limited's (TPG) Long-Term Issuer Default Rating (IDR) of 'BBB', with a Stable Outlook.

The rating reflects TPG's solid competitive position as the third-largest mobile operator and second-largest fixed broadband provider in Australia. TPG has a strong financial profile, following debt repayment funded by proceeds from the sale of a business to Vocus Group Limited and handset receivables sale, as well as improving pre-dividend free cash flow. However, the rating is constrained by its market position in mobile and reliance on the consumer business following the divestment of its enterprise, government and wholesale (EGW) fixed business to Vocus.

The Stable Outlook reflects Fitch's expectation that TPG's EBITDA net leverage will reduce to 1.6x by end-2025 and continue to remain below 1.8x, the level above which Fitch may take negative rating action.

KEY RATING DRIVERS

Reduced Leverage Following Vocus Sale: Fitch expects gross bank debt to reduce to AUD1.7 billion by end-2025 from AUD4.1 billion in 2024, primarily reflecting repayment of AUD1.7 billion in bank borrowings using the proceeds from the Vocus transaction. We expect the balance of the Vocus transaction proceeds of around AUD3 billion to be returned to shareholders via a capital reduction.

New Financing Programme: Fitch expects TPG to repay a further AUD600 million in bank debt with funding sourced from a new handset receivable financing (HRF) plan. In line with Fitch's criteria, we include 25% of the HRF debt - assumed at AUD700 million - in our gross debt calculations. We project the total handset receivable debt balance will gradually increase to around AUD900 million. Fitch expects TPG to maintain EBITDA net leverage at or below 1.6x through 2028, which is about 1x lower than the last two-

three years, in light of its lower capex, debt repayment and forecast strong operating cash flow generation.

Strong Pre-Dividend Free Cash Flow: The sale of TPG's fixed fibre network and its long-term access to a broader mobile network in regional Australia reduce its capex needs and enhance pre-dividend free cash flow. We also expect the Vocus transaction to deliver operating cost savings that will more than offset the additional annual wholesale access payments, resulting in improved operating leverage.

Smaller Market Share: TPG's business profile is constrained by its relatively smaller 17% mobile market share and 23% share of the highly competitive national broadband network reseller market. However, TPG's network sharing agreement with Singtel Optus Pty Limited (Optus) is likely to narrow the network service gap with larger rivals, potentially enabling TPG to expand its regional mobile market share. TPG's 20%-30% mobile market share in metropolitan areas demonstrates competitiveness in these markets where network limitations are less significant.

Reduced Infrastructure Ownership: Fitch believes Australian telecom operators have lower debt capacity than peers in markets where operators retain ownership of the fibre access network. Australia's network is owned by NBN Co Limited (AA+/Stable). TPG's sale of its fibre infrastructure assets and leasing of access to Optus' regional network lower its debt capacity relative to asset-heavy telecom operators in other developed markets. The reduced debt capacity is mitigated by upfront cash proceeds, with TPG using AUD1.7 billion for debt repayment. We do not capitalise lease payments made to Optus or Vocus and treat them as an operating cost, in line with our criteria.

Network Sharing and Access: Although TPG will no longer own its fibre access network, it will gain access to Vocus' entire fixed network under a 15-year agreement, with a high guaranteed service level and a fixed-cost structure independent of future data volume. TPG also has the option to extend the access for two additional 10-year periods. Similarly, the network sharing agreement with Optus provides TPG with owner-like benefits on the regional mobile network for 11 years.

Dividend Policy: Fitch expects TPG to distribute regular common dividends to meet its target of AUD0.18 per share annually, or around AUD335 million in 2025, with the intention of increasing dividends over time in line with profit and cash flow growth.

Reinvestment Plan Could Boost Headroom: TPG's rating is not dependent on the execution of an announced reinvestment plan, which provides minority shareholders the opportunity to reinvest their proceeds from the capital reduction in new TPG shares. However, any reinvested proceeds used to repay additional debt would increase TPG's

rating headroom at 'BBB'. TPG could raise up to AUD688 million through the reinvestment plan. It intends to use the proceeds for debt repayment.

PEER ANALYSIS

TPG has a slightly weaker business profile than Telefonica Deutschland Holding AG (TEF, BBB/Stable, Standalone Credit Profile (SCP): bbb+). TEF is the second-largest mobile operator in Germany with a 34% market share compared with TPG's 17%. However, this is partially offset by TPG's stronger product and revenue diversification as the second-largest national broadband network reseller by subscriber base. As a result, TPG is rated one notch below TEF's SCP and its downgrade EBITDA net leverage threshold is 0.2x, lower than that of TEF at same rating.

TPG has a marginally weaker business profile than CK Hutchison Group Telecom Holdings Limited (CKHGT, A-/Rating Watch Positive, SCP: bbb-), which is more than compensated by its stronger financial metrics. CKHGT benefits from greater geographic diversification, but it is more reliant on mobile services. CKHGT's mobile position in Italy is stronger than TPG's in Australia, even though Italy is a more competitive environment. CKHGT's planned merger of its UK mobile business with Vodafone will create a much larger operator with over 30% market share, though CKHGT would lose majority control. TPG's lower leverage compensates for its business profile, resulting in a rating one notch above CKHGT's SCP.

TPG and Iliad SA (BB/Positive, SCP: bb+) hold similar market shares in mobile and fixed broadband, but Iliad's EBITDA scale is larger and its revenue base more geographically diversified, with operations in Poland and Italy. TPG's long-term regional network sharing agreement with Optus and wholesale access arrangement with Vocus provide similar benefits to asset ownership, lowering capex needs and supporting cash generation. TPG's lower leverage supports a rating two notches above Iliad's SCP.

TPG also maintains a stronger financial profile than The Sunrise Holding Group (BB-/Positive). We project Sunrise's leverage will be above 4.0x from 2025 to 2026, resulting in the rating differential, despite Sunrise's stronger position in Switzerland.

KEY ASSUMPTIONS

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- 2025 revenue of AUD4.9 billion on a pro forma basis, assuming the deconsolidation of EGW fixed revenue from the start of the year. Revenue to rise by 2%-3% annually, primarily supported by increases in mobile prepaid and fixed wireless, and recovery in handset and hardware revenue.

- Fitch-defined EBITDA margin of around 25% between 2025 and 2028.
- Capex intensity of 12%-17% between 2025 and 2028.
- Net proceeds from the Vocus transaction of AUD4.7 billion, which were received in August 2025, with AUD3.0 billion allocated to shareholder distribution.
- AUD0.7 billion of new handset receivable debt by end-2025, with net proceeds of AUD0.6 billion in 2025. The handset receivable debt balance is projected to gradually increase to AUD0.9 billion.
- Regular dividends of around AUD335 million in 2025 with mid-single-digit growth subsequently.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- EBITDA net leverage above 1.8x on a sustained basis due to greater shareholder returns, higher capex or weaker operating performance.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- We do not see an upgrade in the medium term as the rating is capped by the business profile. A significantly larger share in mobile and stability or growth in the fixed line business could lead to positive rating action, provided the arrangements with Vocus and Optus are successful in managing network access and capex risk on a long-term basis.

LIQUIDITY AND DEBT STRUCTURE

TPG had readily available cash of around AUD45 million as of 30 June 2025, with no upcoming short-term loan maturities. Long-term debt after the AUD1.7 billion repayment in August comprised senior unsecured facilities, including AUD750 million in term loans, AUD1.2 billion in revolving credit facilities and a AUD500 million Asian term loan. We expect some of these facilities to be cancelled following repayment with proceeds from the new handset receivables financing.

ISSUER PROFILE

TPG is a major Australian telco with 17% mobile and 23% retail national broadband network market share. Hutchison Telecoms and Vodafone own 25.05% each, while

institutional investors, the founder's family and other shareholders own the remaining 49.9%.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡		RATING ⚡		
TPG Telecom Limited		LT IDR	BBB Rating Outlook Stable	Publish

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Corporate Rating Criteria \(pub. 28 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 28 Jun 2025\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 ([1](#))

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TPG Telecom Limited

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