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

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**S&P Global Ratings Report**

Please find attached a report on TPG Telecom Limited (ASX: TPG) issued by S&P Global Ratings today.

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

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S&P Global Ratings

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Research Update:

# TPG Telecom Ltd. Assigned 'BBB' Rating; Outlook Negative

**August 4, 2025**


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## Rating Action Overview

- TPG Telecom Ltd. (TPG) will take several capital management initiatives after receiving about A$4.7 billion in net proceeds from selling assets to Vocus Group Ltd.
- Following the Vocus transaction, we expect TPG's high-margin, capital-light business to repay debt and maintain a steady state debt-to-EBITDA ratio of about 2.5x.
- On Aug. 5, 2025, S&P Global Ratings assigned its 'BBB' long-term issuer credit rating to TPG.
- The negative outlook reflects our view there is some uncertainty regarding the amount and timing of the group's capital reinvestment plan and subsequent debt reduction. As such, TPG's fiscal 2025 (December year-end) capital structure may not be consistent with the 2.75x leverage threshold we believe is consistent with the 'BBB' rating.

## Rating Action Rationale

**TPG's solid market share, stable earnings, and supportive financial policies underpin its credit quality.** It has the third-largest share of the mobile market and the second-largest share of wholesale fixed-line services in Australia. These factors and its capital-light business model support the company's robust EBITDA margins compared with peers and help it generate strong cash flow.

Tempering these strengths is TPG's exposure to periodic bouts of competitive pressure in Australia's telecommunications industry, particularly from its much larger and well-capitalized competitor, Telstra Group Ltd.

Our business assessment incorporates our view that TPG's network sharing agreements will improve the company's competitive position and scale, enabling it to close network coverage gaps compared with key competitors. These include a multi-operator core network (MOCN) agreement with Singtel Optus Pty Ltd. that commenced in January 2025 and the transmission and wholesale fiber access agreement (TAWFA) it has implemented with Vocus.

However, these arrangements incorporate substantial contractual commitments (which we treat as debt) that may affect its network access over the long term as contractual arrangements expire.

On July 31, 2025, TPG completed the sale of its fixed enterprise, government, and wholesale business (EGW) and fiber assets to Vocus. This transaction should reduce TPG's operating and capital expenditure, thereby enhancing its profitability and cash flow.

**TPG is set to improve its operating margins with a leaner cost structure.** We forecast it will have an EBITDA margin of about 30%-33% over the next two years. Supporting margins is its capital-light business model, an end to the 5G investment cycle, and transformation initiatives such as IT modernization and business simplification that reduce fixed costs.

**We expect TPG to cut debt following the Vocus transaction and related capital management plans**. We project TPG's S&P Global Ratings-adjusted debt-to-EBITDA ratio will be about 3x in 2025, including transaction costs, returns to shareholders, and planned capital reinvestment. Our base-case scenario assumes TPG will have an adjusted leverage (ratio of debt to EBITDA) of about 2.5x in fiscal 2026 (ending Dec. 31, 2026) and fiscal 2027, assuming steady state business cycle that delivers earnings growth and robust free operating cash flow.

We expect TPG will receive about A$4.7 billion in net proceeds from the Vocus transaction and will undertake a capital reinvestment plan to raise A$688 million from minority shareholders in October. Importantly, we assume TPG minority shareholders will fully subscribe to the reinvestment plan or that TPG will have the capital reinvestment plan proceeds underwritten to cover any potential shortfall. As a result of the Vocus transaction and reinvestment plan, we expect TPG will repay about A$2.4 billion of bank debt while returning about A$3 billion to its shareholders through a capital reduction.

Following completion of TPG's various capital management initiatives, we expect the group to operate with a capital structure and financial policies commensurate with the rating, including adjusted debt-to-EBITDA of below 2.75x. Our thresholds for the 'BBB' rating take into consideration that most of the group's debt comprises long-dated lease commitments.

# Outlook

The negative outlook reflects near-term execution risks associated with TPG's various balance sheet management initiatives, including completion of a planned capital reduction and its proposed capital reinvestment plan. Completion of these transactions as anticipated will be important to the company maintaining its debt-to-EBITDA ratio below 2.75x.

Moreover, following completion of these capital management initiatives, we anticipate TPG's financial policies will support maintenance of S&P Global Ratings-adjusted credit metrics at levels commensurate with the rating.

## Downside scenario

Downward pressure on the rating could emerge if TPG's fully adjusted debt-to-EBITDA ratio exceeds 2.75x on a sustained basis. This could occur if TPG does not complete its capital reinvestment plan, takes a more aggressive stance on financial policy, or incurs a material deterioration in the group's competitive position that erodes its earnings and cash flow.

Pressure on the rating could also occur because of a significant and persistent erosion of market share across TPG's businesses, weakening the group's competitive position and earnings. Erosion of its competitive position could also occur as a result of adverse changes in TPG's access to and sharing of infrastructure under its current commercial arrangements, including the MOCN agreement with Singtel Optus and the TAWFA with Vocus.

### Upside scenario

We may revise the outlook to stable in the next six to 12 months if TPG completes its capital reinvestment plan and the financial implications of its various asset sharing arrangements are consistent with our expectations, enabling it to maintain debt to EBITDA below 2.75x.

Moreover, integral to a stable outlook is our expectation that TPG will maintain its market shares and margins in the mobile and fixed line services. We also expect TPG to maintain favorable access and infrastructure sharing arrangements, which should bolster its competitive position over time.

## Company Description

TPG is the third-largest telecommunications service provider in Australia by revenue and one of only three mobile network operators in the country, offering a wide range of telecommunications products and services.

Established in 2020 through the merger of Vodafone Hutchison Australia Pty Ltd. and TPG Corp., TPG has emerged as a full-service telecommunications provider. Vodafone Group PLC and the Hutchison group jointly hold a 50.1% ownership stake in TPG. Washington H. Soul Pattinson and Co. Ltd. owns 12.8% and the family of founder David Teoh owns 14.2%, while other minorities own 22.9%. We do not consider that any single entity has control over TPG.

As of Dec. 31, 2024, TPG had approximately 5.5 million mobile subscribers, about 56% of which were post-paid customers.

TPG delivers consumer fixed services predominantly through the resale of services from the National Broadband Network. As of Dec. 31, 2024, TPG had approximately 2.1 million consumer broadband subscribers.

## Our Base-Case Scenario

### Assumptions

- Australia's real GDP to rise 1.6% in 2025 and 2.0% in 2026.
- Australia's average consumer price index to be 2.6% in 2025 and 3.0% in 2026.
- Revenue that we expect to decline by about 9% in fiscal 2025 due to the Vocus transaction (sale of EGW data and internet revenue and Vision Network revenue).
- We anticipate annual revenue increases of about 4%-5% in fiscal 2026 and fiscal 2027, supported by gains in market share in the core consumer mobile segment following the launch of the MOCN deal in January 2025.
- An EBITDA margin we expect will be about 33% in fiscal 2026 and thereafter.
- Capex of about A$735 million (excluding spectrum) for fiscal 2026.
- Annual dividends of 18 cents per share.

## Key metrics

**TPG Telecom Ltd.--Forecast summary**

| Period ending | Dec-31-2023 | Dec-31-2024 | Dec-31-2025 | Dec-31-2026 | Dec-31-2027 |
|---|---|---|---|---|---|
| (Mil. AUD) | 2023a | 2024a | 2025e | 2026f | 2027f |
| Revenue | 5,535 | 5,520 | 4,985 | 5,170 | 5,410 |
| EBITDA | 1,800 | 1,880 | 1,495 | 1,745 | 1,930 |
| Funds from operations (FFO) | 1,480 | 1,500 | 1,130 | 1,445 | 1,550 |
| Capital expenditure (capex) | 1,155 | 1,170 | 760 | 735 | 635 |
| Dividends | 335 | 335 | 3,335 | 335 | 335 |
| Debt | 6,245 | 6,325 | 4,495 | 4,355 | 3,890 |
| **Adjusted ratios** | | | | | |
| Debt/EBITDA (x) | 3.5 | 3.4 | 3.0 | 2.5 | 2.0 |
| FFO/debt (%) | 23.7 | 23.7 | 25.2 | 33.2 | 39.8 |
| Annual revenue growth (%) | 2.2 | (0.2) | (9.7) | 3.8 | 4.6 |
| EBITDA margin (%) | 32.5 | 34.0 | 30.0 | 33.7 | 35.7 |

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast.

**We make several adjustments to TPG's reported debt to calculate financial ratios.** TPG's fiscal 2025 third-party debt will be materially lower at about A$1 .7 billion following the Vocus transaction and planned capital management initiatives. However, its capital structure will include significant liabilities associated with the network sharing agreements. Material adjustments to metrics include:

- Total operating leases and total sale and leaseback liabilities on the company's balance sheet of about A$2.7 billion (including TAWFA lease liabilities of about A$700 million).
- Net MOCN payments to Singtel Optus of about A$1.2 billion over the 11-year term of the agreement, starting from January 2025. We view these network payments as akin to lease liabilities of about A$800 million. The calculation incorporates future lease payments discounted using a lease discount rate of 7%.
- Captive finance adjustment: We apply our captive finance criteria to TPG's equipment instalment plans. Accordingly, we deconsolidate about A$900 million of receivables related to these plans from the company's debt when determining adjusted leverage.
- Surplus cash: We assume all cash and liquid investments are immediately available for debt repayment.

Adjusted EBITDA forecast for 2025 and 2026 includes transaction and separation costs related to the Vocus transaction.

# Liquidity

We assess TPG's liquidity as adequate. We expect the company's sources of liquidity, including cash, to exceed its uses by 1.2x or more over the next 12 months. We anticipate that net sources of liquidity will remain positive even if EBITDA declines by 15% from our forecasts over the same period.

We believe TPG has solid relationships with banks and will exercise prudence in managing capital spending to avoid any liquidity constraints.

Our assumptions for TPG's key sources and uses of liquidity over the next 12 months are:

### Principal liquidity sources

- Minimal cash holdings following completion of capital management initiatives;
- Undrawn committed facilities of about A$500 million to be retained following completion of TPG's capital management initiatives;
- Unadjusted funds from operations of A$950 million-A$1.0 billion over the next 12 months;
- A$4.7 billion of net proceeds from the Vocus transaction; and
- A capital reinvestment program (assumed to be underwritten) of about A$688 million.

### Principal liquidity uses

- Total debt payments of A$2.4 billion;
- Capital expenditure of about A$710 million-A$760 million;
- Dividends of about A$340 million; and
- Capital reduction of about A$3.0 billion from the Vocus transaction proceeds.

## Covenants

We expect TPG to maintain a sufficient cushion within its debt facility covenants over the next 12-24 months. The company must maintain a net debt-to-EBITDA ratio below 3.75x (defined as net bank debt to EBITDA). As of June 30, 2025, the group's leverage (as per the covenant definition) was approximately 2.3x before the impact of the capital management plan.

## Environmental, Social, And Governance

Environmental, social, and governance factors have no material influence on our credit rating analysis of TPG.

## Issue Ratings--Subordination Risk Analysis

### Capital structure

Following the proposed transactions, TPG will have about A$1.7 billion of drawn debt comprising syndicated bank debt facilities of about A$1.2 billion and a A$500 million term loan on its balance sheet. The company's weighted-average debt maturity will be about 4.5 years.

These bank facilities are unrated.

# Rating Component Scores

**Rating component scores**

| Component | |
|---|---|
| Foreign currency issuer credit rating | BBB/Negative/-- |
| Local currency issuer credit rating | BBB/Negative/-- |
| Business risk | Satisfactory |
| Country risk | Very low |
| Industry risk | Intermediate |
| Competitive position | Satisfactory |
| Financial risk | Intermediate |
| Cash flow/leverage | Intermediate |
| Anchor | bbb- |
| **Modifiers** | |
| Diversification/portfolio effect | Neutral/Undiversified |
| Capital structure | Neutral |
| Financial policy | Neutral |
| Liquidity | Adequate |
| Management and governance | Neutral |
| Comparable rating analysis | Positive |
| Stand-alone credit profile | bbb |

# Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers, Oct. 23, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

# Ratings List

| Ratings list | |
|---|---|
| **New Rating** | |
| **TPG Telecom Ltd.** | |
| Issuer Credit Rating | BBB/Negative/-- |