

Market Announcements Office  
Australian Securities Exchange  
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Sydney NSW 2000

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## Handsets receivables financing and capital management update

Innovative handset receivables financing structure established

- Approximately \$600 million in free cash flow benefit to TPG expected in FY25
- Material ongoing benefit to Return on Invested Capital
- Annualised ongoing funding cost broadly comparable with cost of bank debt plus provisions for bad debt
- EGM for Capital Reduction of up to \$3 billion (as previously announced) expected to be held in the first half of November 2025
- Non-underwritten Reinvestment Plan to be offered at a discount to existing minority shareholders post EGM

TPG Telecom Limited (ASX:TPG) (**TPG**) has launched a new handset receivables financing structure which will support competitive mobile phone handset offers to customers, release additional cash flow to the business, and improve capital efficiency on an ongoing basis.

The structure will involve TPG selling eligible handset receivables to an off-balance-sheet Trust (**Trust**). This is expected to deliver TPG a net benefit in free cash flow of approximately \$600 million in the financial year ending 31 December 2025 (**FY25**), with further free cash flow benefits in later years, and a material ongoing increase in Return on Invested Capital (**ROIC**).

TPG Managing Director and CEO, Iñaki Berroeta, said: “Our customers value being able to pay for handsets through monthly interest-free payment plans as it lets them stay connected with the latest technology and spreads the upfront cost of the device. Establishing this innovative financing structure enables TPG to keep offering customers highly competitive deals on Apple iPhone, Samsung Galaxy and other handsets while deploying our shareholders’ capital much more efficiently.”

TPG anticipates the new handset receivables financing structure will directly contribute an improvement in ROIC of approximately 40 basis points in FY25 and approximately 110 basis points in FY26, reflecting the first full year of capital efficiency benefits. The ROIC benefits of the financing structure are expected to increase from FY27 as capital efficiency arising from

the handset receivables financing complements ROIC improvements from underlying earnings growth and lower capital expenditure.

Under the arrangement, TPG will sell eligible handset receivables at a discount to face value (reflecting financing costs and credit risk). The sold handset receivables will no longer be recognised on TPG's balance sheet as substantially all risks and rewards associated with those handset receivables will have transferred.

Senior financing of approximately \$700 million is being provided to the Trust by a leading group of TPG's lenders at borrowing margins reflecting TPG's investment grade credit profile. The financing was structured and arranged by Macquarie Bank Limited (**Macquarie**) with the following senior lenders successful after a competitive process: Australia and New Zealand Banking Group Limited, DBS Bank Ltd. (Australia Branch), Industrial and Commercial Bank of China Limited, ING Bank N.V. (Singapore Branch), Intesa Sanpaolo S.p.A (Sydney Branch), and National Australia Bank Limited. TPG will provide subordinated debt of approximately \$100 million. Macquarie will retain residual income risk.

TPG intends to complete the sale of the "back book" of pre-existing eligible handset receivables of approximately \$750 million in early October 2025. TPG then intends to sell future eligible handset receivables contracts quarterly on an ongoing basis, with total sales of eligible receivables in FY25 estimated at approximately \$900 million.

TPG will use net proceeds to repay bank borrowings, reducing TPG's net bank borrowings to approximately \$1.8 billion, which is approximately \$2.3 billion less than at 30 June 2025 and approximately 1.4 times FY25 Pro Forma<sup>1</sup> pre-AASB16 EBITDA<sup>2</sup>. This follows the repayment and cancellation of \$1.7 billion of bank borrowings in August 2025 after TPG's sale of its fibre infrastructure and Enterprise, Government and Wholesale fixed assets to Vocus Group (**Vocus Transaction**).

The new financing structure has no impact on the way that TPG handles credit checks, collections or device sourcing and supply.

Mr Berroeta said: "The facility is a first for our sector and is materially superior to prior handset receivables financing structures available in Australia. We wish to recognise the support of our banks and of Macquarie and the Trustee, The Bank of New York Mellon (BNY)."

### **Financing cost and NPAT impact**

The net ongoing annualised funding cost to TPG of the new structure is broadly comparable to the aggregate of bank borrowing costs and provisioning for bad debt on the handset receivables to be sold. Bad debt costs related to the eligible handset receivables will be transferred to the new financing structure.

The net ongoing annualised funding cost of the new structure to TPG is materially lower than

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<sup>1</sup> Statutory EBITDA from Continuing Operations adjusted as if new commercial arrangements arising from the Vocus Transaction had been in place for the entire period.

<sup>2</sup> Calculated as mid-point of Pro Forma FY25 EBITDA guidance less cash lease costs.

the legacy handset receivables sales facility TPG unwound over FY22 to FY24.

TPG will recognise costs associated with the new structure as finance costs in its consolidated statement of income. In FY25, this will include a material one-off timing impact in financing costs due to the size of the back-book sale, recognition of handset receivables financing costs upfront (rather than annualised as with bank borrowings), and only two-and-a-half months' benefit from the reduction in bank borrowings arising from the receivables sale.

TPG anticipates a net negative impact to statutory net profit after tax (**NPAT**) in FY25 of approximately \$50 million, assuming the back-book sale of approximately \$750 million as well as a first recurring quarterly sale in December 2025. In future years, the NPAT impact will not be material as the benefit of reduced bank borrowings will occur for the full year, and the timing impact of the initial back-book sale will not recur.

### **Capital Management update**

On 5 August 2025, TPG announced a range of capital management initiatives following the receipt of approximately \$4.7 billion in net proceeds from the Vocus Transaction. This included the intention to return up to \$3 billion to shareholders through a pro rata capital reduction and cash distribution of up to \$1.61 per share (**Capital Reduction**) and the \$1.7 billion repayment of bank borrowings which was completed in August 2025.

TPG now expects to hold the Extraordinary General Meeting (**EGM**) for shareholders to vote on the Capital Reduction in the first half of November 2025. A simple majority of shareholders is required to vote in favour for the Capital Reduction resolution to pass, and TPG's Strategic Shareholders<sup>3</sup> owning approximately 77 per cent of TPG have indicated their intention to vote in favour. TPG is continuing to engage with the Australian Taxation Office to confirm the tax treatment of the Capital Reduction for shareholders.

As previously announced, TPG intends to provide minority shareholders, owning approximately 23 per cent of the company, the opportunity, through a reinvestment plan (the **Reinvestment Plan**), to re-invest their Capital Reduction proceeds (up to \$688 million in aggregate) in new fully paid ordinary TPG shares. The Reinvestment Plan has been designed to offset the impact on TPG's free-float market capitalisation of the Capital Reduction and improve the trading liquidity of TPG's shares by increasing the proportion of shares owned by minority shareholders. The Reinvestment Plan will be conducted at a discount to incentivise participation and will not be underwritten.

The Record Date for both the Capital Reduction and the Reinvestment Plan will be after the EGM. Minority shareholders at the Record Date will also be able to elect to over-subscribe for shares not taken up by other minority shareholders. Any such over-subscription allocations will be at TPG's discretion having regard to, among other things, each shareholder's pre-existing shareholding.

TPG will use proceeds from the Reinvestment Plan to reduce bank borrowings. Combining

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<sup>3</sup> CK Hutchison Holdings Limited, Vodafone Group Plc, companies owned by David and Vicky Teoh and Washington Soul Pattinson Holdings Limited.

this with the \$1.7 billion debt repayment from Vocus Transaction proceeds and the expected handset receivables financing proceeds, the total reduction in bank borrowings will be up to approximately \$3.0 billion since 30 June 2025, assuming full take-up of the Reinvestment Plan. This would reduce TPG's bank borrowings to approximately \$1.1 billion by 31 December 2025.

Authorised for lodgement with ASX by the TPG Board.

### Further information

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