

Investor Presentation.

March 2017

2 Key Business Highlights.

- EBITDA CAGR of 19.4% over the last 3 years
- High cashflow conversion and zero debt
- A differentiated market offering across hybrid IT and telecom
- A high quality, diverse, corporate customer base with multi-year contracts
- Primary focus on customer service with Australia's leading net promoter score of +66
- Quality data centre infrastructure which enables operational leverage
- Exposed to the strong ongoing migration of business and government onto the cloud

Business Summary.

Business Areas			
Percentage of Revenue & EBITDA in H1 FY17			
What we do	<p>For business, we are the full service provider of data, voice, mobile & colocation services. We are the telecom that does everything refreshingly different. We are where the Macquarie story started</p>	<p>For business customers we are the specialists in hybrid IT. We integrate colocation, cloud, & dedicated servers. Different applications need different types of hosting. We manage it</p>	<p>We are the Australian specialists in cyber security, secure cloud & colocation for Federal Government. We deliver services to 42% of Federal Government agencies</p>
Value proposition	<p>Customer Service, Price, Choice, Flexibility, Control</p>	<p>Customer Service, Specialised and Compliant Hosting. For apps not suitable for Public Cloud</p>	<p>Customer Service, SIG Accreditation, Cyber Security, ASD – Certified Cloud, Data Centre in Canberra</p>
Competitors			
People / Skill	<p>Generalist for Voice & Mobiles TC for Data & CoLo know Business Drivers</p>	<p>Hosting Specialists: Custom and Compliant</p>	<p>Secure Hosting Specialist know Government Drivers</p>

4 High Quality & Diverse Corporate & Government Customers.

- Top 20 customers account for c. 20% of revenue in CY 2016
- Federal Government accounts for a quarter of these customers
- Most contracts are signed for 2 or 3 year terms
- Cross-selling of services increasing between the businesses – natural fit as hosting customers need telecom & vice versa

Cloud Services

accenture

DELL Technologies

NEWS LIMITED



UTS
UNIVERSITY OF TECHNOLOGY SYDNEY

Telecom

Hallmark

CITY BEACH
AUSTRALIA

SONY

ITW

navitas
English

Government

Australian Government
Department of the
Prime Minister and Cabinet

Australian Government
Australian Taxation Office

Australian Government
The Treasury

APRA
Australian Prudential Regulation Authority



A Differentiated Offering.

6 Customer focus...

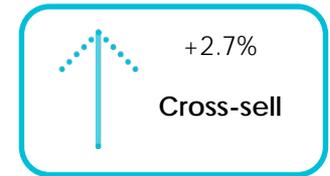
- Our continued focus on providing a great customer experience is core to our service offering & differentiation
- Macquarie's net promoter score (NPS) is +66 for Q2 FY17 – Australian leading NPS
- NPS is the measure of customer loyalty that is assessed on a scale of -100 to +100, where a score of greater than +50 is excellent
- NPS is calculated on the single question "how likely is it that you would recommend our company to a friend or colleague?"
- Growth in our NPS is good for our investors

is delivering improved performance.

NPS Q2FY17ⁱ



Key metrics since Q4FY14 to Q2FY17



7 Market for Macquarie Cloud Services & Government.

The market is moving to cloud both at the infrastructure as a service level where we operate and at a software as a service level. Macquarie competes at an infrastructure level and our customers are the software as a service clouds, as well as companies that run their own software but want a more reliable data centre than their office.

The Australian colocation market is estimated to be growing by 12% CAGR to \$2bn by 2021 (Frost & Sullivan 2016) & cloud market by 15% CAGR to 2019 (Gartner).

Macquarie Cloud Services Differentiation.

One stop shop for hybrid IT solution

- Gartner estimate 58% of companies pursue a hybrid IT strategy
- The breadth of our product range sets us apart from our competitors: colocation, dedicated servers and private cloud
- Macquarie offers a unique level of accountability for the entire customer experience journey from commercials to service delivery, to integration and then support & billing

Custom and compliance

- We specialise in customising the build for sophisticated customers to optimise performance of their software application
- We have invested in the most certified data centres & cloud platforms to make it easier for our customers in financial services & Government to comply with standards

Built on market leading technologies

- It's easier for customers to migrate to us which means less risk, cost & time to do the re-platforming that public clouds require
- There are also deeper pools of skilled staff who manage these technologies
- Our cloud is built on market leading technologies such as Vmware, EMC and Cisco

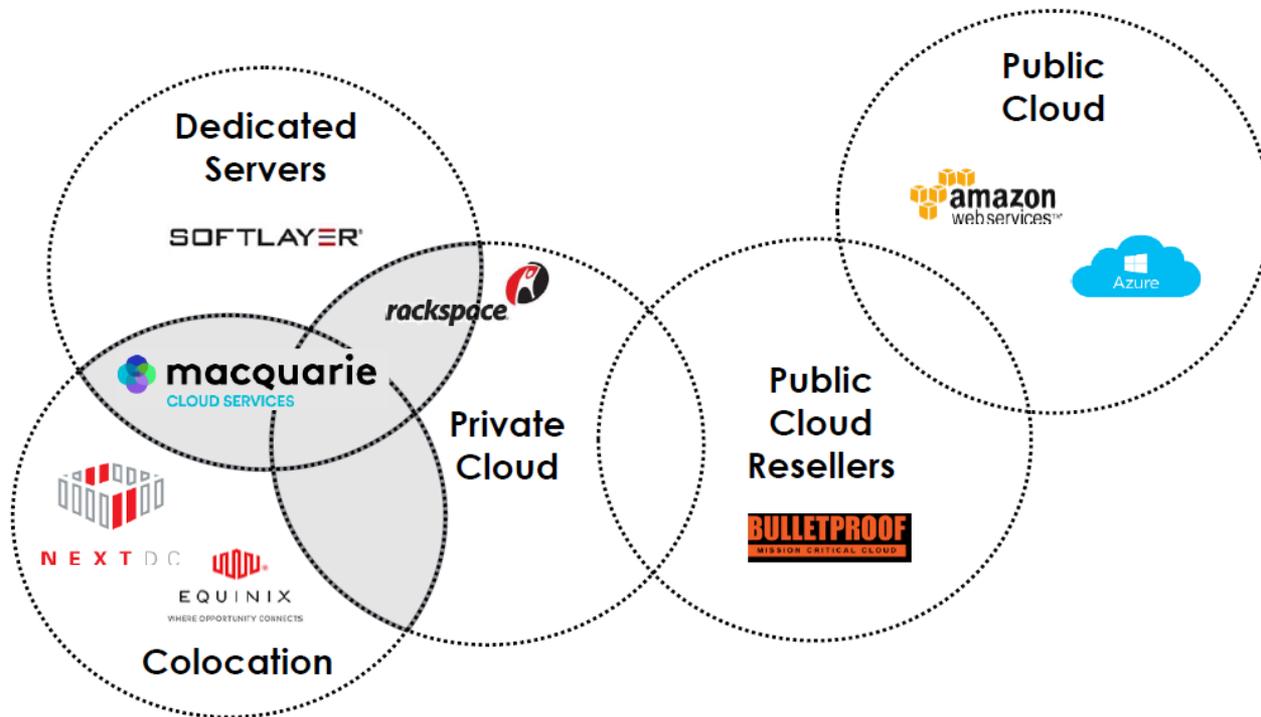
Customer experience

- Macquarie's net promoter score (NPS) is +66 for Q2 FY17 – Australian leading NPS

Often customers choose the public cloud for the front end of new websites & a place to store images. We are usually seen by our customers as complementary with public cloud, rather than substitutes.

9 Macquarie's Cloud Service

Hybrid IT vs Public Cloud.



Macquarie Government Differentiation.

One stop shop for hybrid IT solution tailored for Government

- This means we can offer a unique level of accountability for the entire customer experience journey from commercials to service delivery, to integration & then support & billing
- The breadth of our product sets us apart from our competitors: colocation to cloud

Cyber security

- We provide cyber security services to protect agencies from attack (including protection from viruses & hackers). This protects the agencies systems & their cloud environments

Our cloud is built on market leading technologies

- Our cloud is built on market leading technologies of EMC, Cisco and VMware & is certified by the Australian Signals Directorate (Department of Defence)
- As most Government agencies use these technologies, this means it's easier for them to migrate to us which means less risk, cost & time to do the re-platforming that public clouds require
- There are also deeper pools of skilled staff who manage these technologies

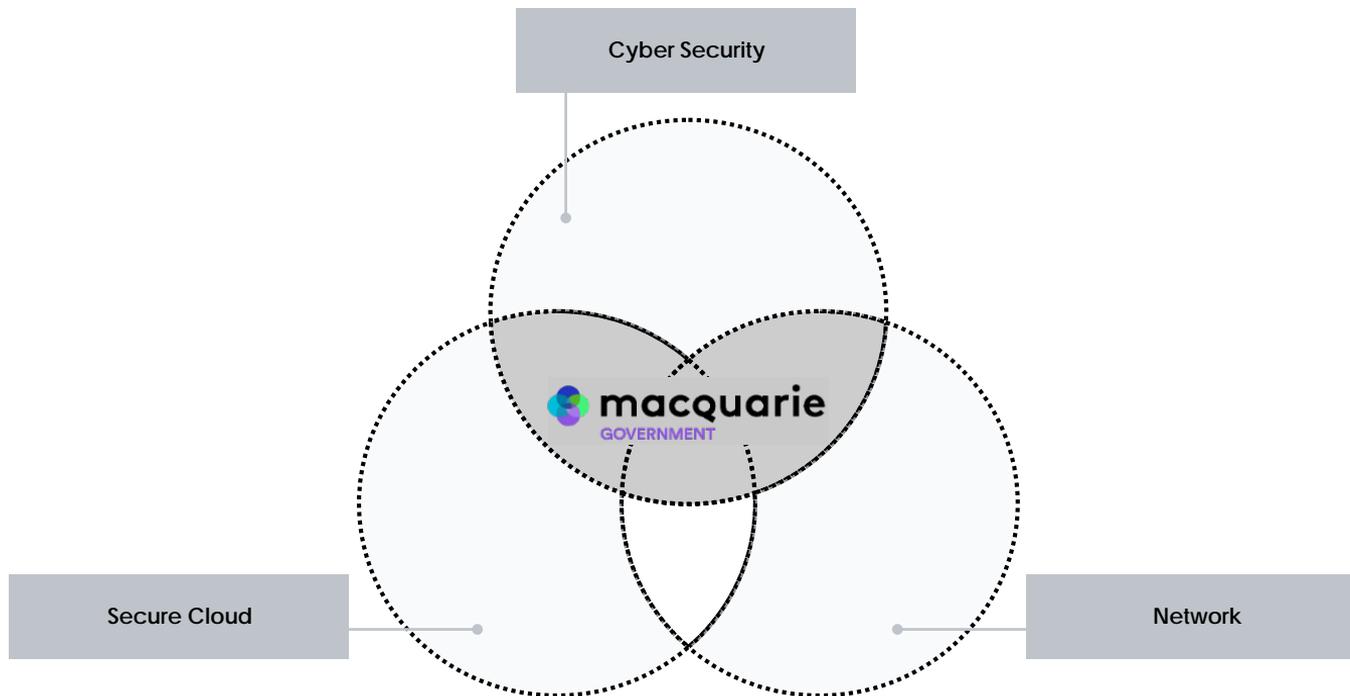
Customer experience

- Macquarie's net promoter score (NPS) is +66 for Q2 FY17 – Australian leading NPS. The support is delivered by Australian engineers, of which over 100 are cleared by the Australian Government

Macquarie differentiates itself through its focus on cyber security & delivering Government security grade cloud & colocation solutions. We have 42% of the Australian Government as customers

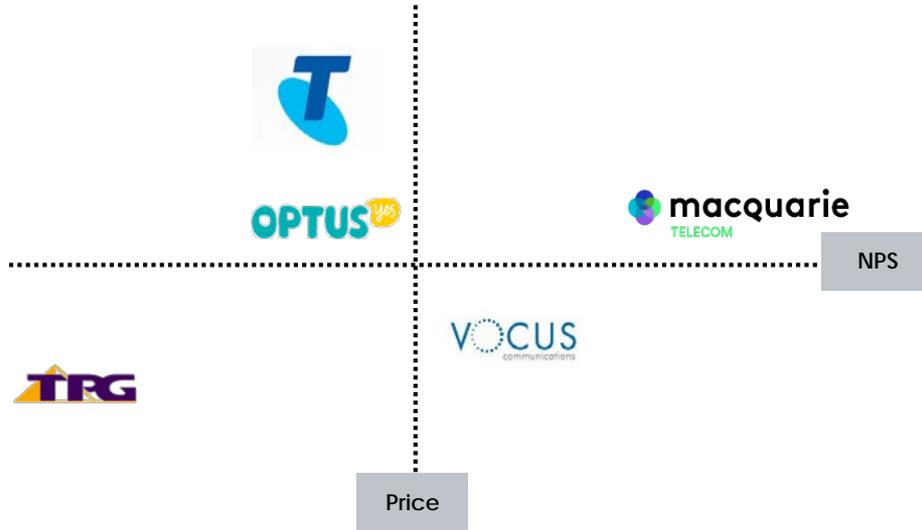
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Macquarie Government's Offering Cloud & Cyber Security focus.



Macquarie's Telecom Differentiation

Mid market competitive landscape.



- The Company's differentiation in the corporate market is reinforced by its outstanding customer service experience & competitive pricing
- Macquarie Telecom's focus on customer service experience has been a major driving force behind its continued growth & market leading Net Promoter Score (NPS)
- Macquarie benefits from the migration to NBN
- We focus on the 5,500 mid-sized corporate customer market



Quality Infrastructure.

Data Centre Portfolio.



Intellicentre 1
Sydney

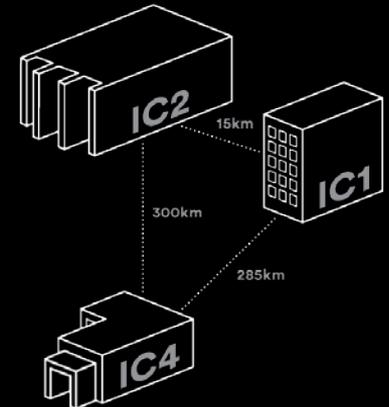


Intellicentre 2
Macquarie Park



Intellicentre 4
Bunker, Canberra

- Geographically located with interconnections to reduce redundancy and ensure failover of critical workloads
- Carrier neutral
- Data Centre capacity sold by all 3 businesses as part of hybrid IT solution
- Total load for all Intellicentres is 12.4MW with upgrades in progress to 14.5MW

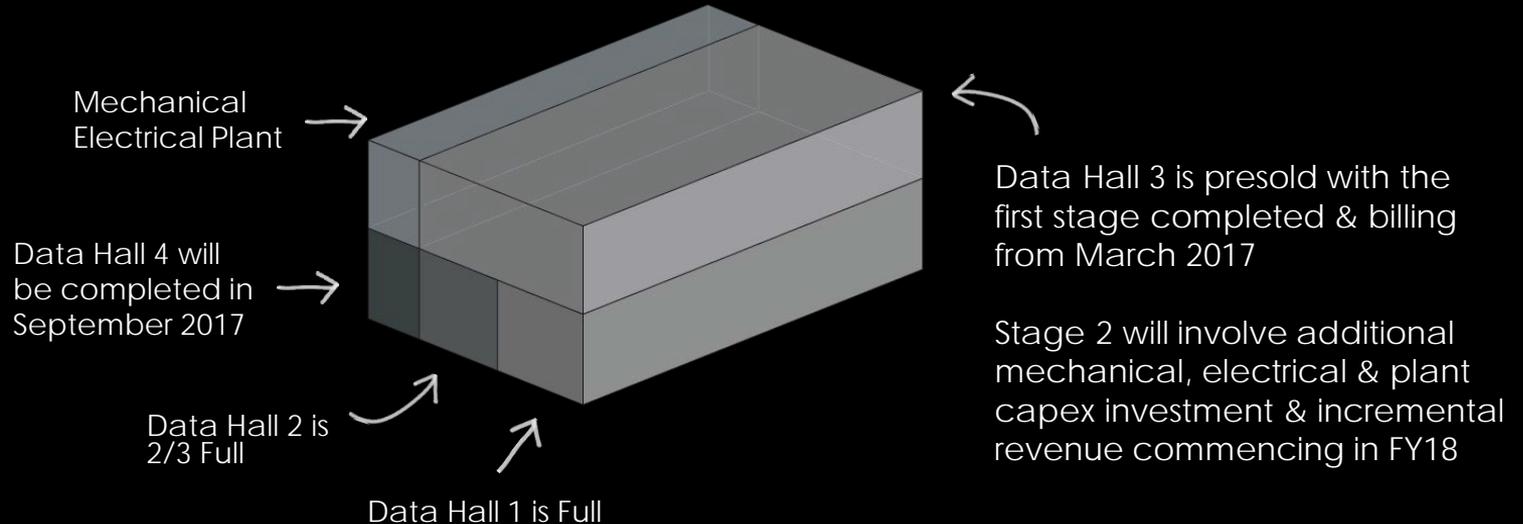


Intellicentre 2 Sales success.

- Continued strong colocation sales momentum
- 2.5MW sale in May 2016
 - first revenue commences in March 2017
- Large hosting sales totaling 0.5MW have been made in H1 FY17:
 - co-location deal with Accenture Australia
 - co-location/infrastructure services deal with Virtustream, a Dell Technologies Company
- Intellicentre 2 estimated to achieve an average of \$4.5m per MW in annualised revenue by FY19 as new larger customers turn up capacity
- Colocation sold usually as part of hybrid IT solution with managed cloud

Utilisation.

- Our flagship Intellicentre 2 data centre has achieved strong utilisation

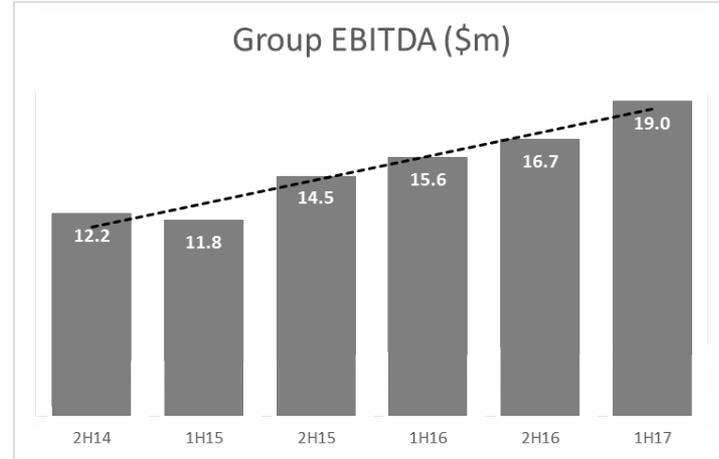
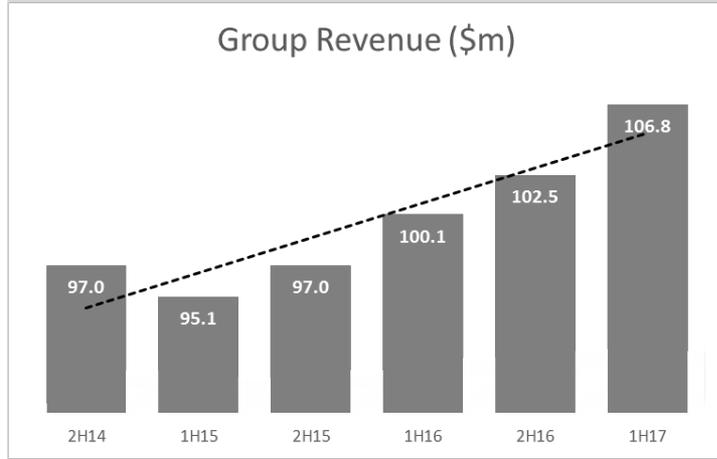


Based on historical sales rates, we estimate we will be looking to build or buy new Sydney data centre capacity for later in FY19



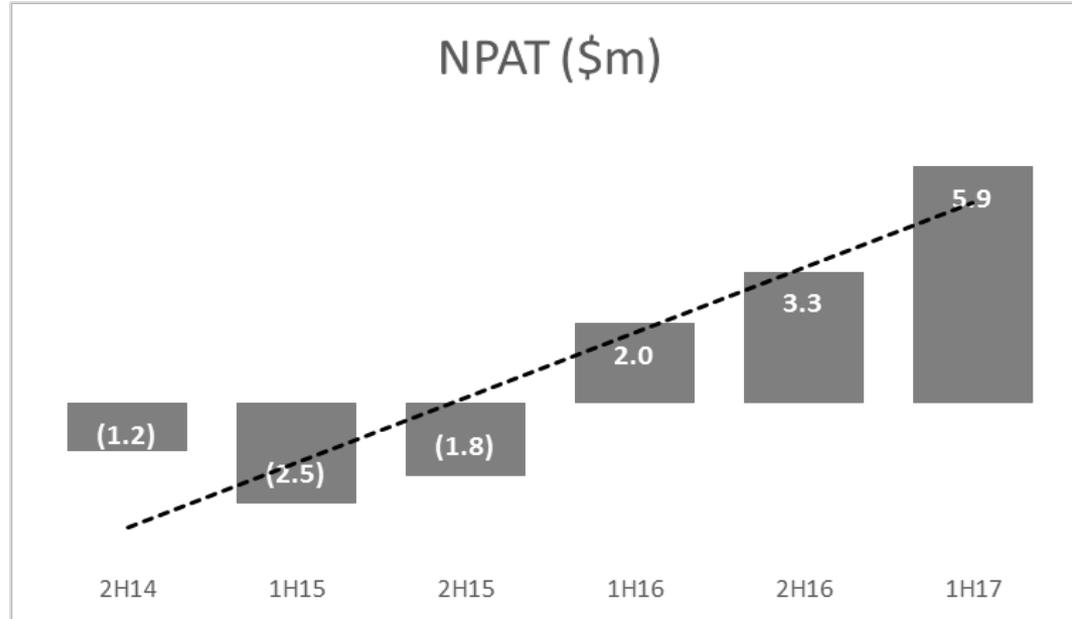
Financials.

Group Financial Performance.



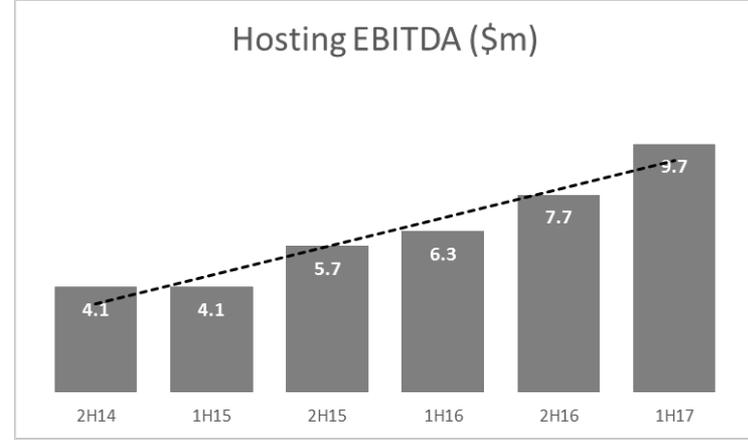
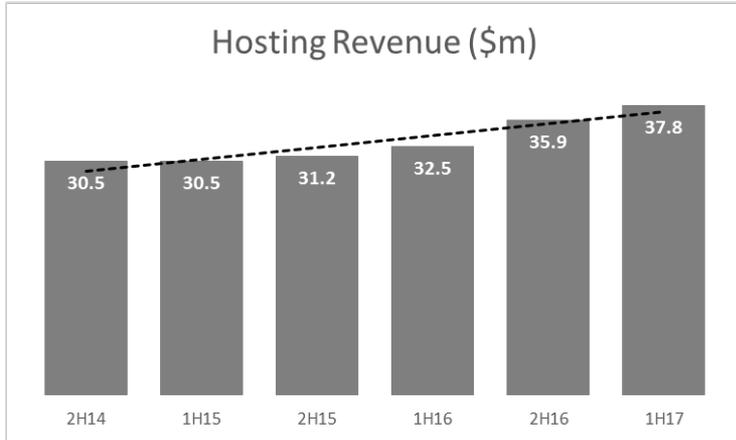
- Over the last 3 years:
 - revenue CAGR of 3.9%
 - EBITDA CAGR of 19.4%
 - EBITDA margin improved from 12.6% to 17.8%
- Reflects strategic shift in 1H 2015 & the change in revenue mix to high margin hosting business
- Profitable growth is expected to continue in FY18

Group NPAT Performance & Fully Franked Dividends.



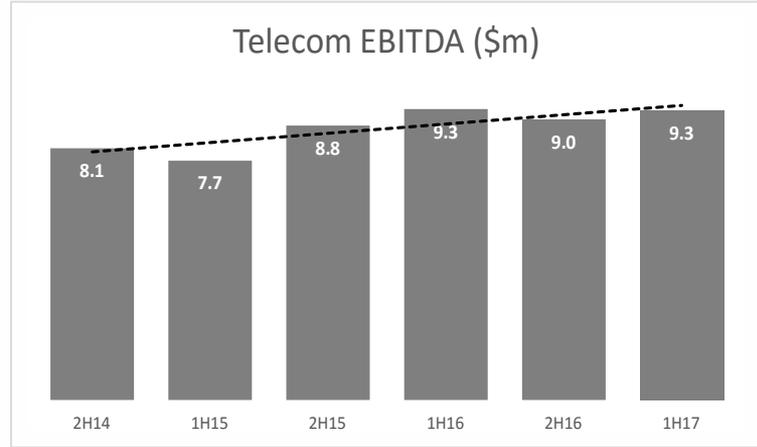
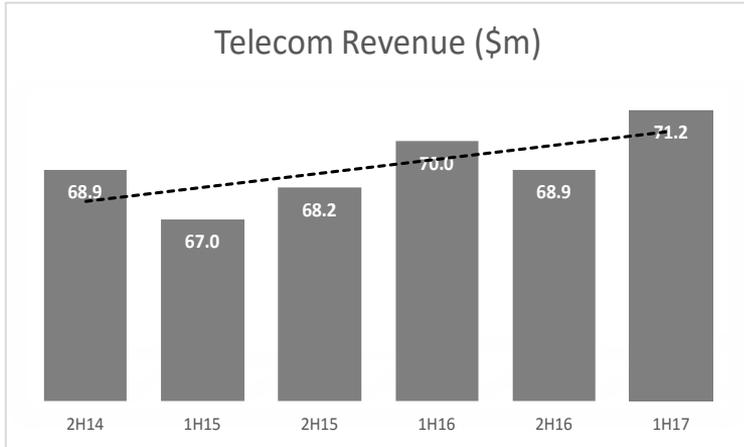
As our new strategy began to deliver from 2HFY15, fully franked dividends of \$0.25 per share in each half.

Financial Performance – Hosting



- Over the last 3 years
 - revenue CAGR of 9.0%
 - EBITDA CAGR of 41.1%
 - EBITDA margin improved to 25.7%
- Highly leveraged business with improving margins as infrastructure utilisation increases
- Profitable growth is expected to continue in FY18

Financial Performance - Telecom



- Over the last 3 years:
 - revenue CAGR of 1.3%
 - EBITDA CAGR of 5.7%
- Reflects growth in market share in a highly competitive market while maintaining EBITDA margin of 13%
- Profitable growth is expected to continue in FY18

Growth Capex.

- **Growth Capex** is for the building of new data centre capacity, increased power supply, new technology creation & transformational investment.
- In the Hosting business, a current example is the fitout of Data Hall 4.
- In the Telecom business, a current example is our transformational investment for insourcing our NOC & building a new data network platform.
- Growth capex plans for FY18 have not been decided, however previously announced Growth Capex in progress of \$9m will be incurred in FY18.

Business as Usual (BAU) Capex.

- **Business as Usual (BAU) Capex** is all other capex.
- In recent years, around half of BAU Capex is for additional cabling, racks, servers & storage that enable us to provision new customer orders.
- Most of the remaining Capex is internal software development & replacing older facility equipment.
- Based on recent years, BAU Capex is typically in the range of \$18-22m depending on our data centre sales success & product mix.

Financial Results.

\$m	1H16	2H16	1H17	1H17 v 1H16	% change
Service Revenue					
Telecom	70.0	68.9	71.2	1.2	2%
Hosting	32.5	35.9	37.8	5.3	16%
Inter-segment	(2.4)	(2.3)	(2.2)	0.2	
Total Service Revenue	100.1	102.5	106.8	6.7	7%
EBITDA					
Telecom	9.3	9.0	9.3	-	-
Hosting	6.3	7.7	9.7	3.4	54%
Total EBITDA	15.6	16.7	19.0	3.4	22%
Depreciation	(12.9)	(12.5)	(10.8)	2.1	
EBIT	2.7	4.2	8.2	5.5	
Interest	0.2	0.3	0.3	0.1	
NPBT	2.9	4.5	8.5	5.6	
Tax	(0.9)	(1.2)	(2.3)	(1.4)	
NPAT	2.0	3.3	6.2	4.2	

Inter-segment revenue relates to services provided by the Hosting segment to the Telecom segment, eliminated on consolidation.

Balance Sheet & Cash Flows.

- Cash of \$24.7m & no debt.
- Business as usual capex increased to \$12.5m from \$7.5m in the pcp, driven by strong customer demand.
- Growth capex was \$11.0m to expand capacity at Intellicentres 2 & 4 (\$7.3m) & data networking technology & network operations centre insourcing (\$3.7m).
- Investing activities during the half also included the receipt of the second tranche of Intellicentre 2 proceeds (\$3.0m).
- Final dividend for FY16 of 25cps (\$5.2m) was paid during the half.

\$m	FY16	1H17
Cash and cash equivalents	36.5	24.7
Other current assets	19.8	21.3
Other non-current assets	63.5	76.0
Total Assets	119.8	122.0
Creditors	27.1	26.1
Other Liabilities	10.3	12.4
Total Liabilities	37.4	38.5
Total Equity	82.4	83.5

\$m	1H16	1H17
Cash flows from Operating Activities	12.3	13.9
Cash flows from Investing Activities	32.8	(20.5)
Cash flows from Financing Activities	(26.2)	(5.2)
Net increase/(decrease) in Cash Held	18.9	(11.8)
Opening Cash and cash equivalents	6.4	36.5
Closing Cash and cash equivalents	25.3	24.7

Outlook

- Underpinned by strong sales growth, full year FY17 EBITDA is expected to be approximately \$37 to \$39 million.
- We are confident that Hosting revenue will continue to grow in 2H FY17 however profitability will be impacted by additional staff costs in the sales team & increased electricity prices.
- Hosting's Fortune 100 customer will commence initial billing in Q3.
- Telecom's investment in new data networking technology & network operations centre insourcing will result in additional staff costs being incurred in 2H FY17. These investments will materially reduce costs & further improve service delivery in FY18.
- Affirm the guidance provided for full year capital expenditure & depreciation announced at the AGM.

\$m	FY17 (\$m)
EBITDA	37 - 39
Business as usual capex	21 - 23
Growth capex	
– Hosting	13 - 15
– Telecom	6 - 7
Depreciation	21 - 23

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