Macquarie Telecom delivers three successive years of strong profit growth and declares 25c per share final dividend.

Macquarie Telecom (ASX: MAQ) (the Company) today announced its results for the full year ended 30 June 2017 ahead of updated guidance and declared a final dividend of 25cps, fully franked.

Chairman Peter James said, "The Company has had an outstanding year and we will continue to leverage our investments to drive further shareholder value and ongoing returns."

KEY POINTS

- Full year revenue was up 8.0% to $219.7 million for FY2017 compared to $202.6 million for the previous corresponding period.
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) of $40.3 million for FY2017, an increase of $8.0 million or 24.7% on FY2016 and ahead of upgraded guidance.
- Cash flow from Operating Activities of $41.4 million. The company is debt free and has a closing cash balance of $31.8 million as at 30 June.
- Net profit after tax was up 170% to $14.2 million compared to a profit of $5.3million for the previous corresponding period.
- Capital expenditure for FY2017 was $38.5 million (FY16: $19.9 million) driven by an increase in growth Capex of $16m for: The Fortune 100 Customer; Data Hall 4 fit out; Intellicentre 4 capacity; Telecom NOC insourcing project and SD WAN investment.
- Final dividend declared of 25 cps, fully franked which brings the Company to a full year dividend of 50 cps.

Chief Executive David Tudehope said "Sustained growth in profitability over the last three years has allowed Macquarie to consider opportunities to invest for future growth. We are well positioned to benefit from the megatrends of Cloud and Cyber Security".

PRIORITIES IN FISCAL YEAR 2018

The Company's focus in fiscal year 2018:

- Focusing on customer experience to ensure a leading Net Promoter Score greater than +60 across all business segments.
- Telecom investment in new data networking technology (SD WAN) and insourcing network operations to materially reduce costs and further improve service delivery in FY18.

- Hosting has delivered Stage 1 and is focused on delivering operational readiness for Stage 2 of the Fortune 100 customer at Intellicentre 2. Stage 2 scheduled for completion in Q3 FY18 with full revenue earning capacity in FY19.

- Leveraging the 42% of the Australian Government who have contracted with Macquarie Government, we will further grow our Government customer revenue in cyber security and Secure Cloud computing. Our Cloud computing offering is certified by the Australian Signals Directorate.

OUTLOOK

- The Company's EBITDA will continue to grow in FY18, however the 1H will be flat compared to 2HFY17 due to the full impact of ongoing power price increases and investment in sales growth.

- Strong and growing demand from our Federal Government Agencies for secure Cloud, including from Tier 1 Agencies like ATO, gives great confidence for future growth in the Government Business. Accordingly, there will be further investment in expansion in Canberra and our Cloud platform, with an increase in OPEX of around $3m and CAPEX by $1.6m across FY18.

- Total Capex is expected to be between $32-35m consisting of:

    - Growth Capex - $10 to $11 million.

    - Customer Growth - $12 to $13 million.

    - Maintenance Capex - $10 to $11 million.

- Depreciation is expected to be between $26 and $28 million.

- Based on demand, over the next 6 months the business will decide on whether to build or buy data centre capacity. The potential for investment in Intellicentre 3 will increase the requirement for capex that will primarily impact FY19.

- An update on Macquarie Telecom's first half performance in fiscal 2017 will be given at the company's Annual General Meeting in late November. An investor day is also planned for October 2017.

--ends--

For more information, please contact:
David Tudehope – Chief Executive
(02) 8221 7090
Brent Henley – Chief Financial Officer
(02) 8221 7702

Level 15, 2 Market Street, Sydney NSW 2000

About Macquarie Telecom Group
We're Australia's data centre, cloud, cyber security and telecom company for mid to large business and government customers. The way we do this is completely different from our competitors… we provide the best customer service in Australia.

macquarietelecomgroup.com