macquarie
TELECOM GROUP

Investor Day.

2018.

24 October 2018

Business Summary.

Business Areas	macquarie TELECOM	macquarie CLOUD SERVICES	macquarie GOVERNMENT
Percentage of Revenue & EBITDA in FY18	61% Revenue 44% EBITDA	39% Revenue	56% EBITDA
What we do	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.	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.	We are the Australian specialists in cyber security, secure cloud & colocation for Federal Government. We deliver services to 42% of Federal Government agencies.
Value proposition	Customer Service, Price, Choice, Flexibility, Control	Customer Service, Specialised and Compliant Hosting. For apps not suitable for Public Cloud	Customer Service, Security Operations Centre (SOC), Cyber Security, ASD – Certified Cloud, Data Centre in Canberra
Competitors	OPTUS, TPG, VOCUS	NEXTDC, INHOUSE, amazon webservices, rackspace HOSTING	verizon, INHOUSE, hp
People / Skill	Generalist for Voice & Mobiles TC for Data & Colocation know Business Drivers	Cloud Specialists: Custom and Compliant	Cyber Security and Hosting Specialist know Government Drivers

Macquarie Telecom

- #1 in SDWAN in Australia
- Strategic partnership and investment with NBN Co to expand reach and competitiveness
- Successfully insourced our NOC, to reduce Opex and increase our NPS
- Double digit revenue growth in mobile business in a flat market

Macquarie Cloud Services

- Leading provider of Hybrid IT for Corporate IT and SaaS, supporting customers on their journey to the Cloud
- External audit and validation by Maritz CX as a Global leader for NPS (+84)
- Strong cross sell of Cloud solutions into Telecom's customer base
- Expansion of a Hybrid IT Cloud node in Perth

Business Highlights.

Macquarie Government

- 42% of Federal Government agencies have contracted with Macquarie
- Our Government Cloud is certified by ASD (Australian Government) for classified data
- We continue to invest for growth in this business
- Secure Internet Gateway (SIG) and Secure Cloud services have continued to grow

Intellicentres

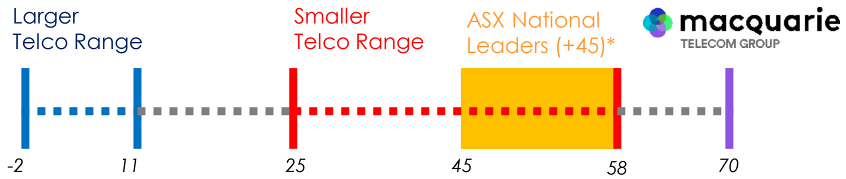
- Leading provider of Hybrid IT for Corporate IT and SaaS, Announced investment in IC3 East with initial capital expenditure of $75-80m, majority incurred across CY2019
- IC3 East data centre is designed for global hyperscalers, enterprises and Government and is expected to achieve practical completion in late CY2019
- Stage 2 for Fortune 100 customer billing from March 2018

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 +70 for Q4 FY18 – 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 Q4FY18



Key metrics since Q4FY14 to Q4FY18

+50.2% **NPS**

+3.3% **Cross-sell**

-27.1% **Debtor DSO**

+7.3% **Customer retention**

*Source: The Customer Experience Company – Industry ranges from 'NPS Pulse Check' based on Q42016 – see http://customerexperience.com.au/nps-benchmark/

Key Business Highlights.

Revenue	EBITDA	NPAT	EPS
6%	19%	20%	19%
$233.1m	$47.8m	$17.0m	80.9cps

- Eight consecutive halves of revenue and profit growth
- EBITDA CAGR of 20.4% over the last three years
- Hosting revenue continued to grow on the back of strong sales and order implementation
- Improved operational leverage in Hosting and several one-off's in Telecom lead to an improved EBITDA result compared to FY17
- Telecom entered into a strategic relationship with the nbn to expand reach and competitiveness
- Primary focus on customer service with an ASX leading net promoter score of +70
- The Company has declared a fully franked final dividend of 25 cps

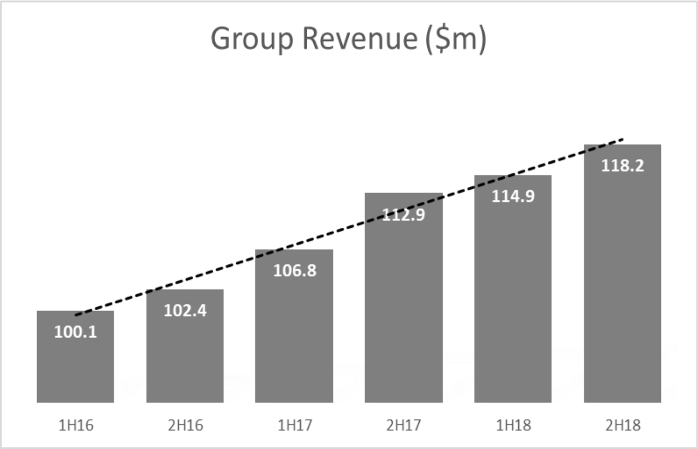
FY18 Colocation Business Highlights.

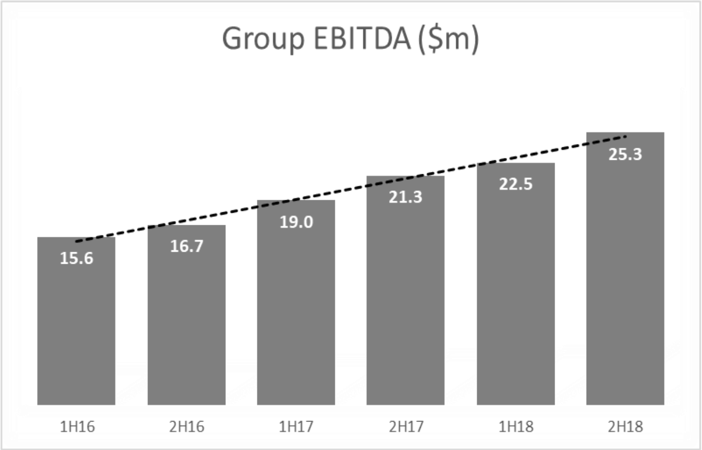
18.4% YonY	19.4% YonY	14.6% YonY
Revenue	**EBITDA**	**EBITDAR**
$33.4m	$15.6m	$20.1m

- Colocation EBITDA Margin of 46%
- Market leading EBITDAR Margin of 60% in FY18
- Colocation revenue is billed through both Hosting and Telecom Groups

Cross connect / interconnect
5.3% of recurring revenue

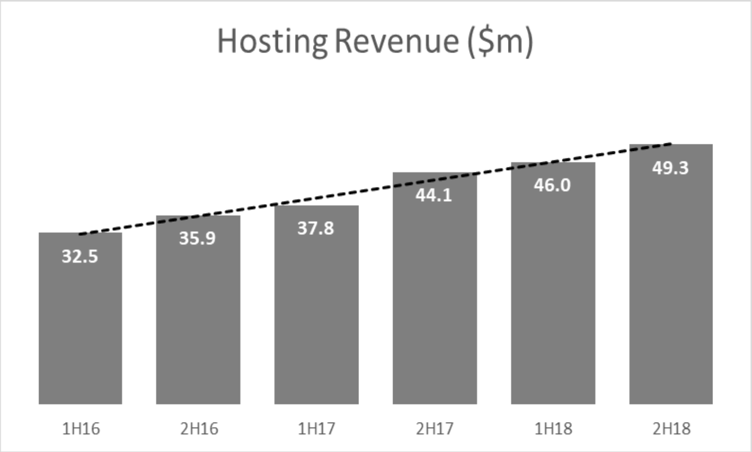
Group Financial Performance.

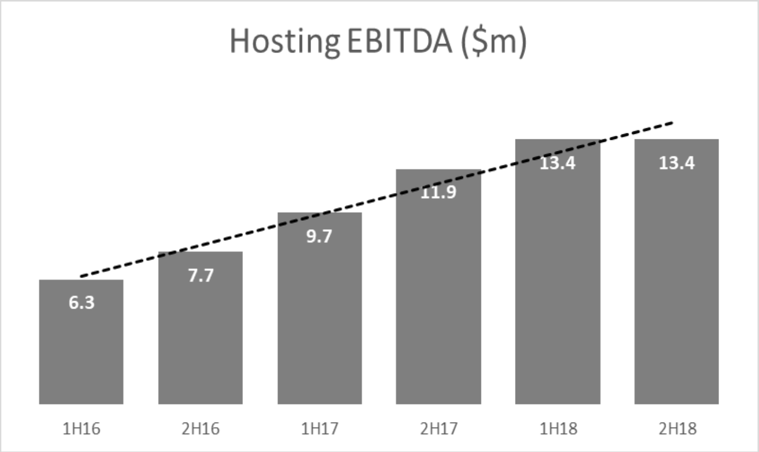




- Over the last 3 years:
  - Revenue CAGR of 6.8%
  - EBITDA CAGR of 20.4%
  - EBITDA margin for the full year improved from 16.0% to 20.5%
- Reflects strategic shift in 1H FY15 and the change in revenue mix to higher margin hosting business

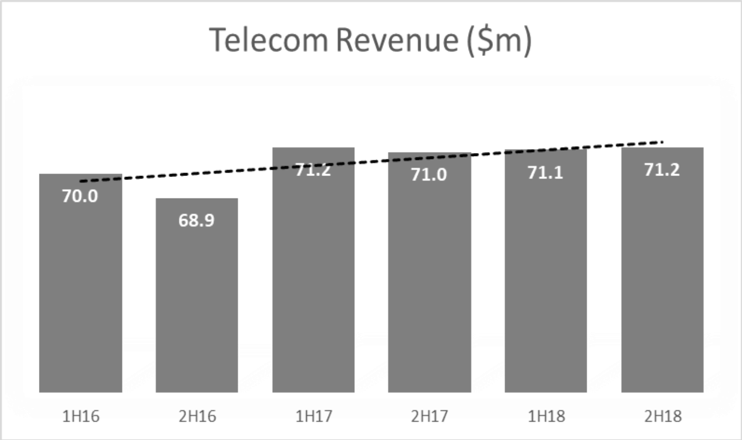
Financial Performance - Hosting.

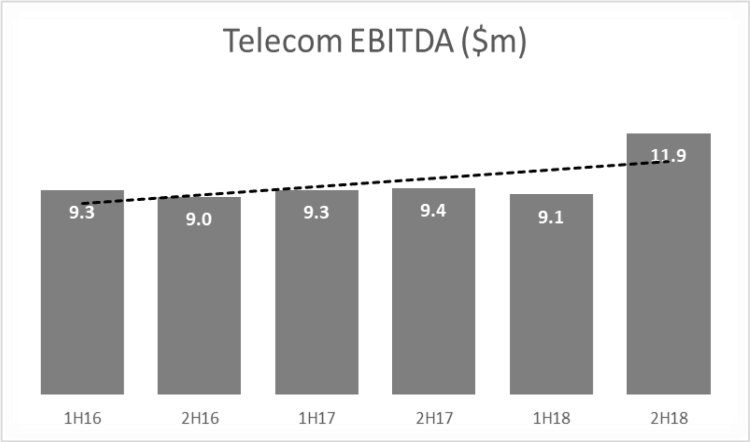




- Over the last 3 years:
  - revenue CAGR of 16.5%
  - EBITDA CAGR of 33.0%
  - EBITDA margin of 28.1% reflecting 2H FY18 investment in the Government business to fund future growth
- Highly leveraged business with improving margins as infrastructure utilisation increases

Financial Performance - Telecom.





- Over the last 3 years:
  - revenue CAGR of 1.4%
  - EBITDA CAGR of 10.6%
- Reflects growth in market share in a highly competitive market with an improving EBITDA margin of 14.8%

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 completed in September 2017
- In the Telecom business, a current example is our transformational investment for insourcing our NOC & building a new data network platform SD WAN
- Growth Capex was $11.5m in FY18

Customer Growth Capex.

- **Customer Growth Capex** is for additional cabling, racks, servers & storage that enable us to provision new customer orders
- Customer Growth Capex was $11.0m reflective of our data centre sales success & product mix

Maintenance Capex.

- Most of the remaining Capex is infrastructure refresh and internal software development
- This is known as **Maintenance Capex** and was $11.3m for FY18

Balance Sheet & Cash Flow.

- Cash of $30.3m and no debt
- Strong conversion of EBITDA to operating cash flows
- Full Year capital spend of $33.8m
  - Growth Capex $11.5m
  - Customer Growth Capex $11.0m
  - Maintenance Capex $11.3m
- Interim FY18 dividend of 25 cps ($5.27m) was paid during 2H18 in addition to the final FY17 dividend of 25 cps ($5.24m) paid in 1H18

Balance Sheet

$m	FY18	FY17
Cash and cash equivalents	30.3	31.8
Other current assets	21.4	20.0
Non-current assets	92.0	81.4
Total Assets	**143.7**	**133.2**
Creditors	33.5	28.7
Other Liabilities	16.9	18.1
Total Liabilities	**50.3**	**46.8**
Total Equity	**93.4**	**86.4**

Cash Flow

$m	FY18	FY17
Cash flows from Operating Activities	42.9	41.4
Cash flows from Investing Activities	(33.8)	(35.5)
Cash flows from Financing Activities	(10.6)	(10.5)
Net increase/(decrease) in Cash Held	**(1.5)**	**(4.7)**
Opening Cash and cash equivalents	31.8	36.5
Closing Cash and cash equivalents	**30.3**	**31.8**

Luke Clifton.

Group Executive

Macquarie Telecom

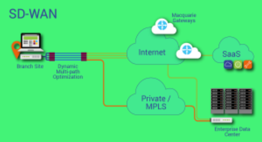
#SoUntelco

PURPOSE	To make a difference for our customers c the industry
VALUES	Results, personal accountable service, collaboration

MARKET

$4 Billion consolidating but flat market

Networking Disruption



com

WHO

5,500 mid sized Corporate Businesses

>$12k per month

100 – 2000 Employees

WHAT

We represent the only full service Telco for Corporate Businesses in Australia, with a range of carriers we deliver choice, flexibility, control and cost reduction with an outstanding customer service model regardless of the carrier mix chosen. Macquarie Telecom customers save on cost and have more control.

HOW

"We are everything our compeition is not. We deliberately chose to do the opposite of what our competitors do."

OUTCOME

120 Logos

NPS

6 ways business class nbn™ is different.

Fibre Upgrades

- We'll build your network to up to 1GB capacity
- We'll lock in a future of retail network supplier choice

Joint Delivery Team

- All orders delivered collaboratively with NBN Co joint delivery team
- We're experts in driving wholesale service delivery

Migration Planning

- We'll manage a full network and strategic planning process for you
- We'll provide detailed nbn™ rollout data for your business

Purpose-built for business

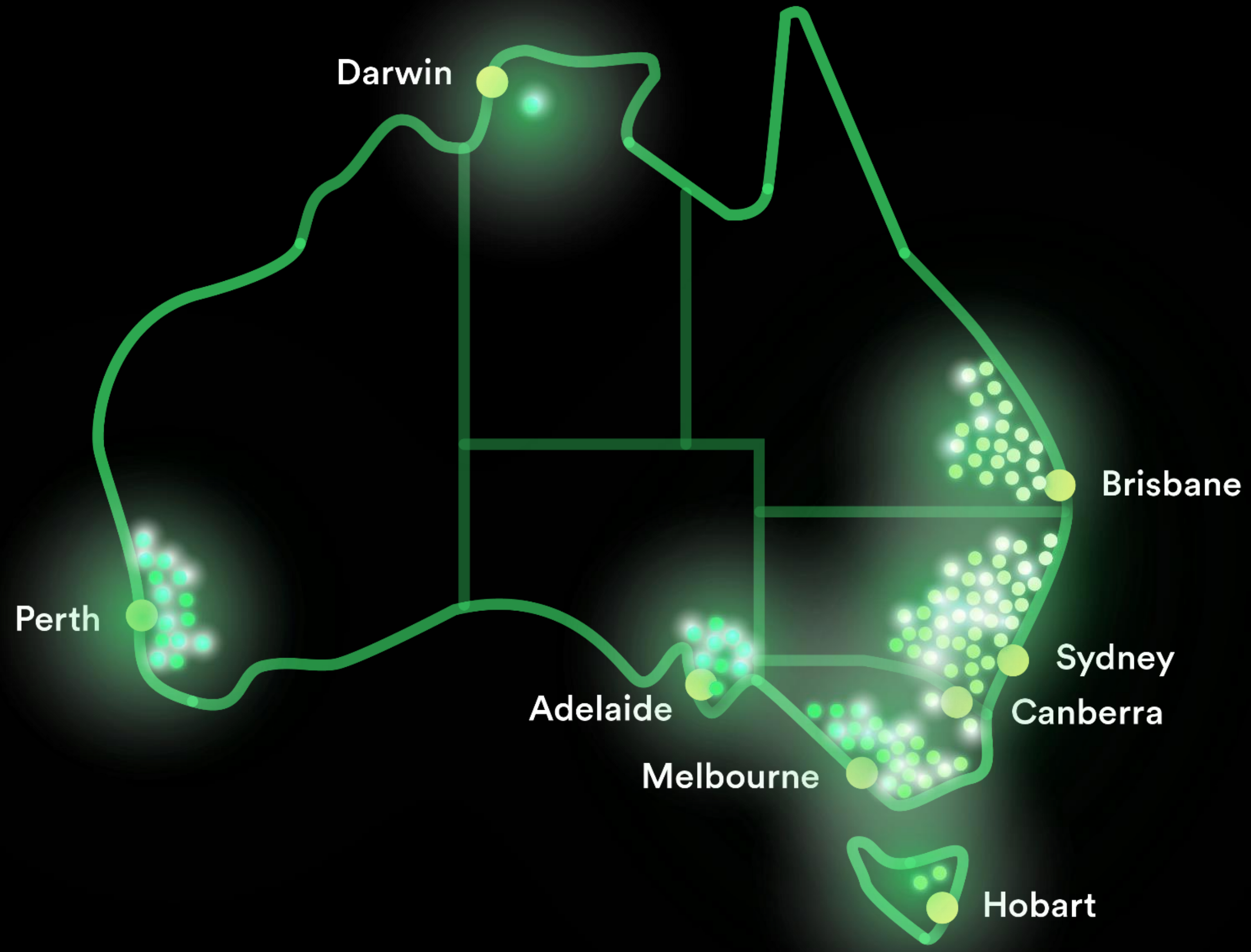
- TC4, TC2 and EE bring you superior technologies such as data and internet, SIP voice solutions and SD-WAN
- Our backbone carries no consumer traffic
- Business SLA's are standard across all our products

Coast to coast access

- Wherever you're located, we'll unlock the potential of your business
- Overcome the wholesale price barriers of the past

Best customer service

- Our NPS drives us to deliver, and proves that we do
- We'll provide you with local account management and 24/7 customer service and support



Until today:
Major cities
only.

From today:
121 POIs.
Coast to coast
infrastructure.

Macquarie SD-WAN.

Link Bonding

- SD-WAN sends data packets across multiple links, and stitches the packets together at the other end.
- Traffic is steered per-packet, rather than per session providing optimal performance

Voice and Video

- SD-WAN Optimises Voice and Video
- Link quality is enhanced through remediation such as FEC, Jitter Buffering and SPP

App Prioritisation

- Applications can be prioritised individually
- More than 3,000 Applications identified
- Apps can be routed direct to the Internet or treated like a traditional private network

International

- SD-WAN provides a low cost option for International sites
- Local Internet services can be utilised to provide connectivity securely and with high performance

Fast and Simple

- Manage your entire network through a webpage using the Orchestrator
- Business Policies and network configuration in a few clicks.
- Sites can be setup in minutes with no technicians

Secure, End to End

- Data is encrypted at a packet level, with a constantly changing security key.
- This means that from end to end, your data is protected against undetectable data theft and man-in-the-middle attacks.

A network that can keep up with cloud and SaaS

Link bonding

SD-WAN sends data packets across multiple links, and stitches the packets together at the other end.

James Mystakidis.

Group Executive

Macquarie Cloud Services

PURPOSE

Making a difference in an industry that is over charged and under served

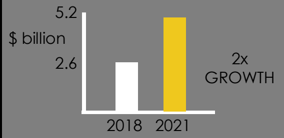
VALUES

Results, personal accountable service, collaboration

macquarie CLOUD SERVICES

MARKET

SAAS GROWING



+2.6bn today –
3 years SAAS market will DOUBLE

IAAS (CORP IT)

1.5m VM's journey to the Cloud

WHO

ENTERPRISE VIA PARTNERS

CORPORATE IT JOURNEY TO CLOUD

SOFTWARE AS A SERVICE PROVIDER

WEB BUSINESS
WEB SITES
DIGI RETAIL

WHAT

WE ENABLE HYBRID IT +
WE SECURE THE CLOUD

Through

COLOCATION

DEDICATED SERVERS

PRIVATE CLOUD

HOW

Focus on "**custom**" and "**compliance**" for those whose needs are not met by the one size fits all approach.

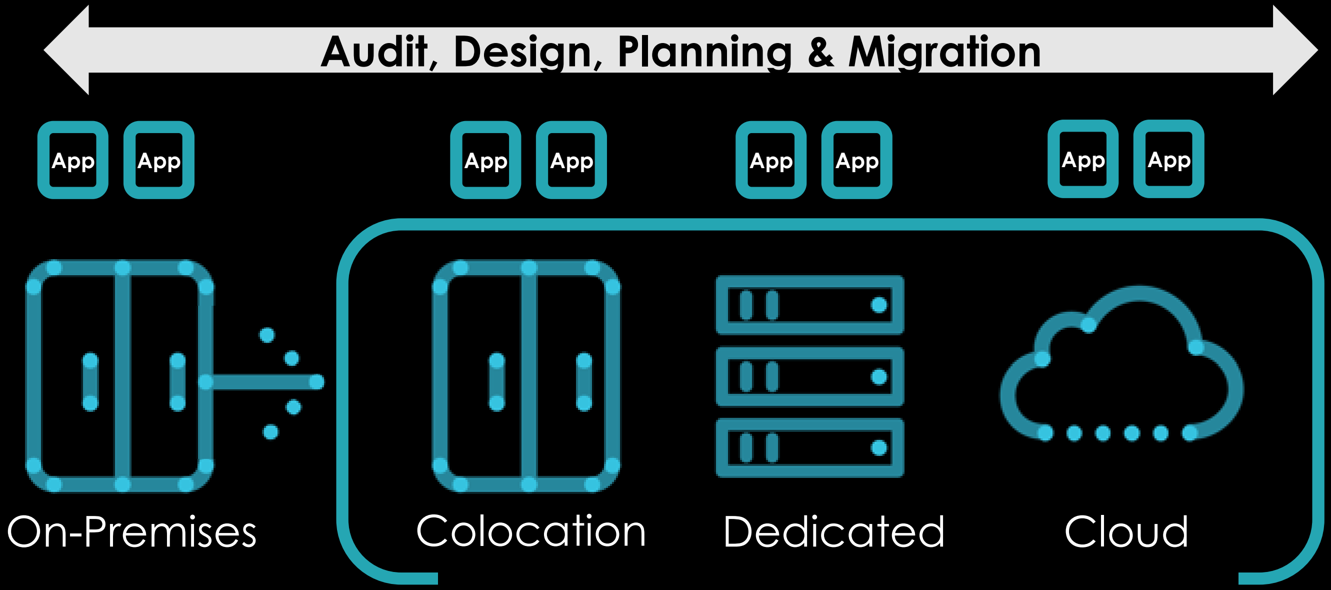
OUTCOME

#1
Managed Cloud Business in Australia

NPS
Customer NPS & Loyalty

Top Line Business Growth

Hybrid IT



Connectivity – Layer 2+3, Carrier Neutral, SDWAN

Security – Layer 2/3, Host, Network, Gateway, File/Web

Management – Availability, Capacity, Reporting, Tools, API's, SLA/SLG

Government

Aidan Tudehope
Managing Director
Government and Hosting Group

macquarie
GOVERNMENT

GOVERNMENT

MARKET

AUSTRALIAN GOVERNMENT POLICY

DIGITAL TRANSFORMATION

CYBER SECURITY INVESTMENTS

SECURE CLOUD STRATEGY

SECURE INTERNET GATEWAY (SIG)

COMPLIANCE REQUIREMENTS

DIGITAL MARKET

WHO

FEDERAL GOVERNMENT & NSW

NSW

WHAT

SECURING THE DIGITAL TRANSFORMATION OF GOVERNMENT

Through the PROTECTED High Ground (SECURE CLOUD, SECURE GATEWAY, COLOCATION)

HOW

ASIO T4
100+ NV1

SIG CREDENTIALS
15+ YEAR TRACK RECORD

Certified System
Quality
ISO 9001

SOC
ACSC

KEEP IT LOCAL
Team Australia

DATA SOVEREIGNTY

EASY TO BUY. EASY TO MIGRATE. EASY TO CONSUME

BUILT FOR GOVERNMENT – DEFENCE CERTIFIED (CCSL)

G

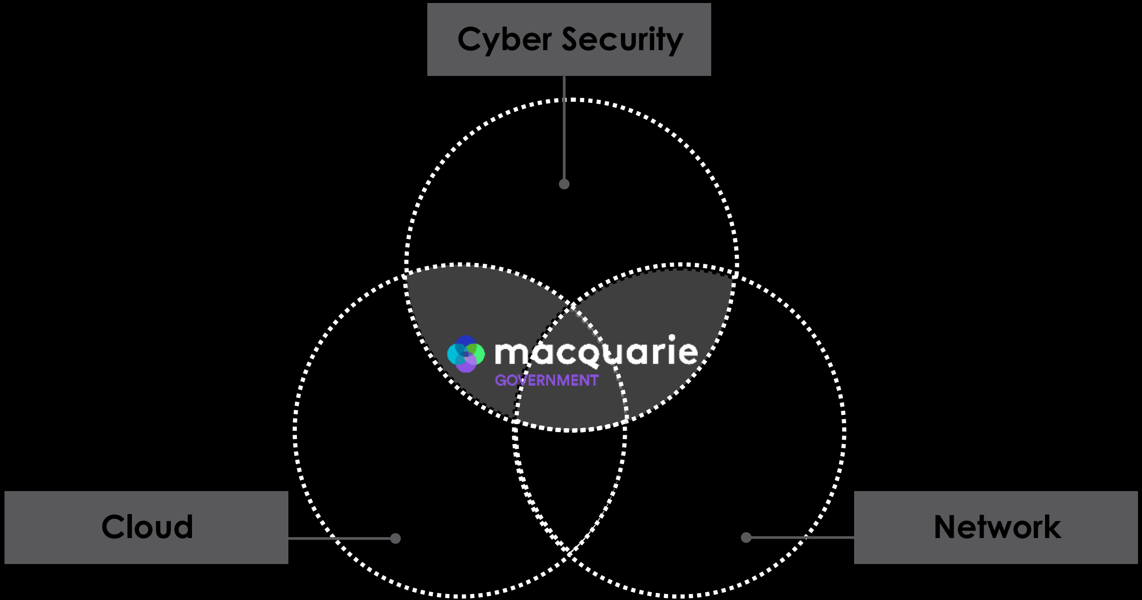
SaaS ...

OUTCOME

GROWTH

NPS

Government
Cloud and Cyber Security focus.



Our Customers.

Australian Government
Office of Parliamentary Counsel

Australian Government
Department of Agriculture and Water Resources

Australian Government
The Treasury

Australian Government
Department of Finance

Australian Government
Bureau of Meteorology

Australian Government
Department of the Prime Minister and Cabinet

Australian Government
Department of the Environment

Australian Government
Department of Industry, Innovation and Science

PARLIAMENT of AUSTRALIA

ASIC
Australian Securities & Investments Commission

FEDERAL COURT OF AUSTRALIA

Australian Government
Australian Taxation Office

Australian National Audit Office

APRA
Australian Prudential Regulation Authority

Australian Government
Department of Foreign Affairs and Trade

VICTORIA State Government
Justice and Regulation

Team Australia

macquarie
DATA CENTRES

Macquarie Park Data Centre Campus development to 43MW.

October 2018

Macquarie Park Campus expansion from 10MW to 43MW total load.

- Modularised build for core and shell phases
- Carrier Neutral
- Designed for global hyperscalers, enterprise and Government customers

Total Campus Load 43MW

- Intellicentre 2 (IC2) 10MW existing
- Intellicentre 3 (IC3) East/West 33MW

Macquarie Data Centres Intellicentre 3 East – Phase 1

Intellicentre 3 East

- Initial build capex $75-80M
- Keppel contribution to core and shell build cost $26-36M
- MEP and fit out $45M
- Initial Capacity 2.4MW
- Modular fit out based on customer demand in years ahead
- IC3 East building area 13,400 sqm
- Practical completion in late 2019

Macquarie Data Centres Intellicentre 3 East – South East Corner

Macquarie Data Centres.

Commercial & design flexibility

Carrier Neutral

Proven Track Record

Compliance and Government Security

Customer Service

Speed of Response

Not all colocation data centres are created equal.

Macquarie Data Centre Ecosystems

Centre of Fintech Transactions

We're the home of $AUD billions in secure transactions nationally

Our Data Centres secure our customers, with critical independent certifications: ISO27001:2013, PCI DSSV3.2, ISM, Australian Federal Government Security Standards, Tier III

Corporate Australia's Centre for Hybrid IT

Deeply interconnected solutions across 1000+ corporate customers

Colocation

Telco

Private Cloud

Public Cloud Interconnectivity

Centre of Government

Australia's leading supplier of Data Centres Services to federal government

Ecosystem | Serving 42% of federal government agencies

ICON network | ISM standards | SCEC Protected Data

World-leading Net Promoter Score

Australia's most recommended Data Centre provider

Sovereign Australian Solutions

Centre of NSW Education

Ecosystem : serving more universities than any other provider

Council of Australasian University Directors of Information Technology certified (CAUDIT)

AARNet connectivity

Carrier neutral. Better connected. More secure.

macquarie TELECOM

Megaport

TELSTRA

OPTUS yes

uecomm Powering Network Convergence

ICON
Intra-government
Communications Network

nbn Australia's broadband network

aarnet Australia's Academic and Research Network

AAPT

pipe networks

telecom nz

cirrus NETWORKS

verizon

VOCUS communications

TATA

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