

# Half Year Results.




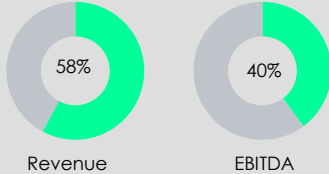
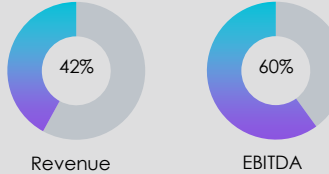



2019.

26 February 2019

## 2 Key Business Highlights.

- Nine consecutive halves of revenue and profit growth
- EBITDA CAGR of 17.8% over the last three years
- Improved operational leverage and execution of the business unit strategies led to an improved EBITDA result compared to 2HFY18
- Primary focus on customer service with ASX leading net promoter score of +75
- Telecom migrated the first of many customers to the nbn network
- Telecom revenue impacted by lower mobile sales
- Hosting revenue and EBITDA continued to grow on the back of strong sales and order implementation

# Business Summary.

Business Areas			
Percentage of Revenue & EBITDA in H1 FY19	 <p>58% Revenue 40% EBITDA</p>	 <p>42% Revenue 60% EBITDA</p>	
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			
People / Skill	Generalist for Voice & Mobiles Specialist for Data & Colocation know Business Drivers	Cloud Specialists: Custom and Compliant	Secure Cloud Specialist know Government Drivers



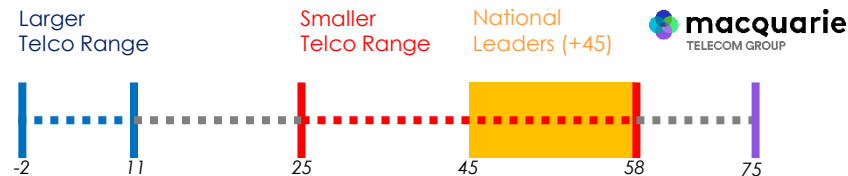
# A Differentiated Offering.

## 5 Customer focus...

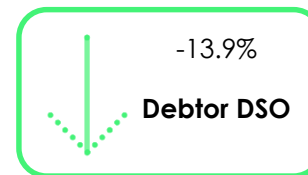
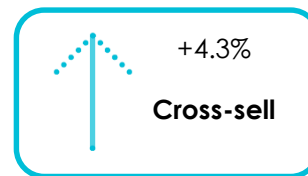
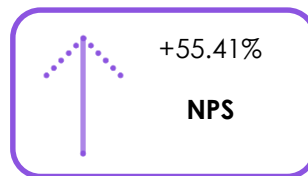
- Our continued focus on providing a great customer experience is core to our service offering & differentiation
- Macquarie's net promoter score (NPS) is +75 for Q2 FY19 – ASX leading NPS
- NPS is the measure of customer loyalty that is assessed on a scale of -100 to +100, where a score of greater than +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 Q2FY19<sup>i</sup>



Key metrics since Q4FY14 to Q2FY19





**Quality Infrastructure.**

## 7 Data Centre Business.



Commercial &  
design flexibility



Carrier Neutral



Proven Track  
Record



Compliance and  
Government Security



Customer  
Service



Speed of  
Response

## Existing Data Centre Portfolio.



Intellicentre 1  
Sydney

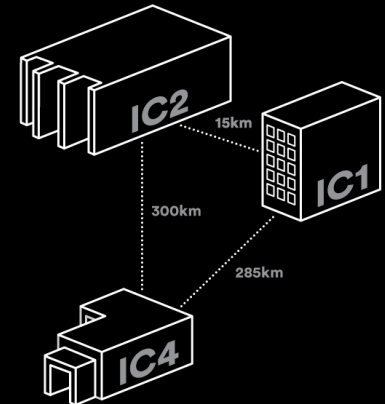


Intellicentre 2  
Macquarie Park



Intellicentre 4  
Bunker, Canberra

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





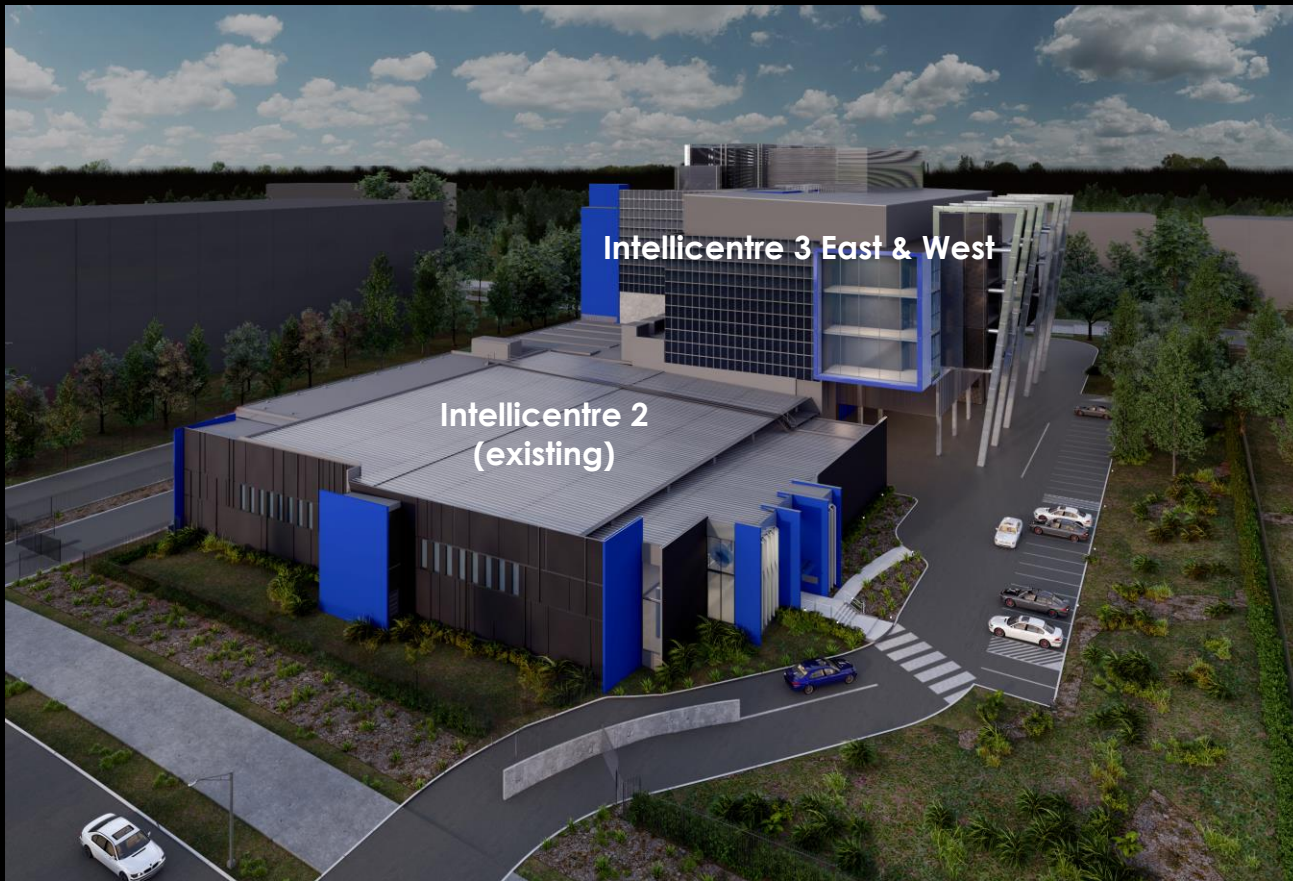
# Data Centre Portfolio expansion.



## 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 1H CY20

# 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





# Financials.

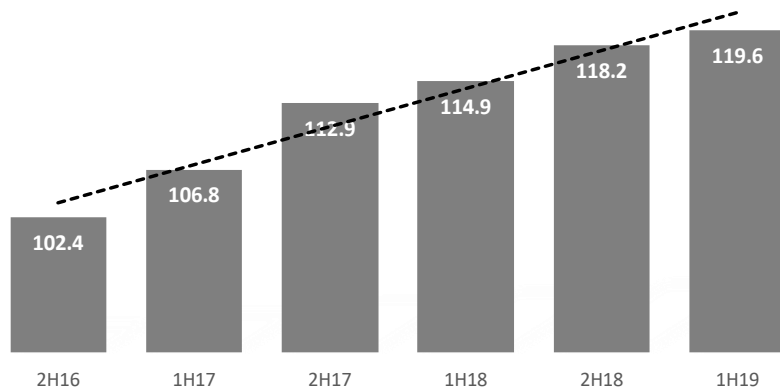
## Financial Results.

\$m	1H18	2H18	1H19	1H19 v 1H18	% change
Service Revenue					
Telecom	71.1	71.2	69.2	(1.9)	(3%)
Hosting	46.0	49.3	52.8	6.8	15%
Inter-segment	(2.2)	(2.3)	(2.4)	(0.2)	
<b>Total Service Revenue</b>	<b>114.9</b>	<b>118.2</b>	<b>119.6</b>	<b>4.7</b>	<b>4%</b>
EBITDA					
Telecom	9.1	11.9	10.2	1.1	12%
Hosting	13.4	13.4	15.3	1.9	14%
<b>Total EBITDA</b>	<b>22.5</b>	<b>25.3</b>	<b>25.5</b>	<b>3.0</b>	<b>13%</b>
Depreciation	(11.0)	(12.5)	(13.6)	(2.6)	
<b>EBIT</b>	<b>11.5</b>	<b>12.8</b>	<b>11.9</b>	<b>0.4</b>	<b>3%</b>
Interest	0.2	0.2	0.2	0.0	
<b>NPBT</b>	<b>11.7</b>	<b>13.0</b>	<b>12.1</b>	<b>0.4</b>	<b>3%</b>
Tax	(3.7)	(4.2)	(3.8)	(0.1)	
<b>NPAT</b>	<b>8.0</b>	<b>8.8</b>	<b>8.3</b>	<b>0.3</b>	<b>4%</b>

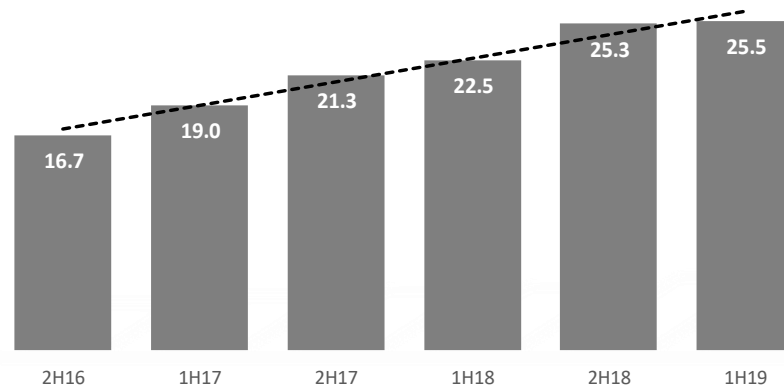
- Inter-segment revenue relates to services provided by the Hosting segment to the Telecom segment, eliminated on consolidation

## Group Financial Performance.

Group Revenue (\$m)



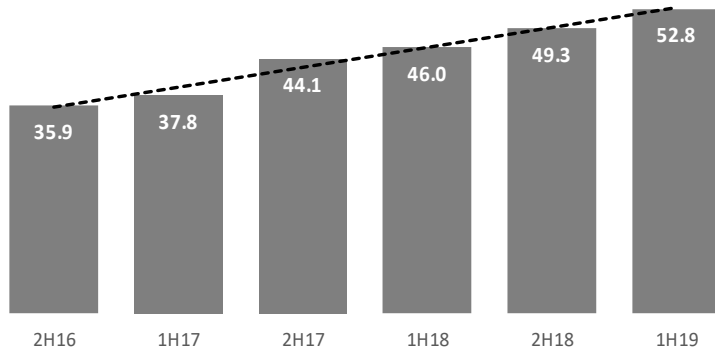
Group EBITDA (\$m)



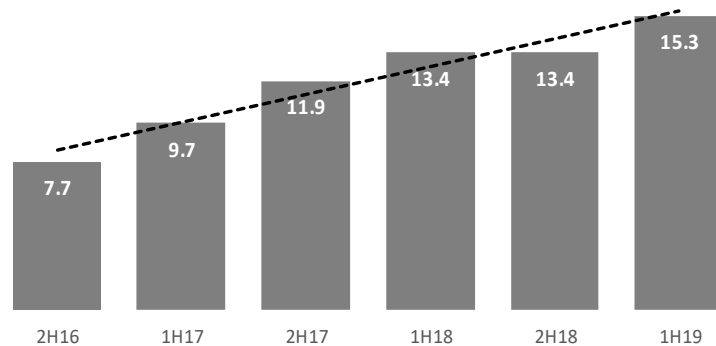
- Over the last 3 years:
  - Revenue CAGR of 6.1%
  - EBITDA CAGR of 17.8%
  - EBITDA margin improved from 16.3% to 21.3%
- Reflects strategic shift in 1H FY15 and the change in revenue mix to higher margin hosting business

## Financial Performance – Hosting

Hosting Revenue (\$m)

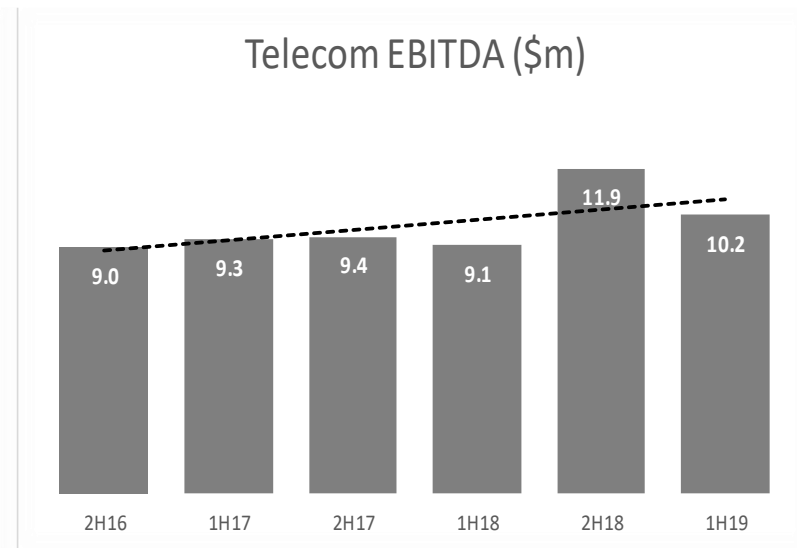
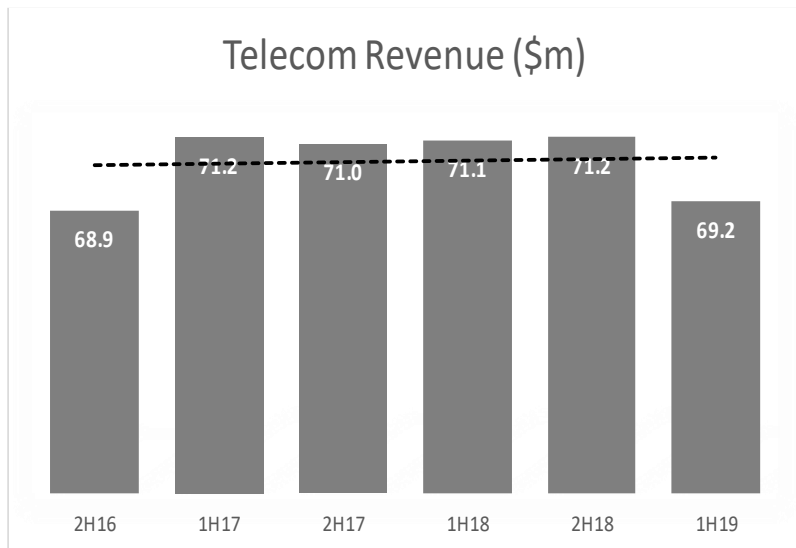


Hosting EBITDA (\$m)



- Over the last 3 years
  - Revenue CAGR of 17.6%
  - EBITDA CAGR of 34.4%
  - EBITDA margin improved to 29.0%
- Highly leveraged business with improving margins as infrastructure utilisation increases
- Strong Government cloud growth underpinned by ASD certification of secure private cloud offering

## Financial Performance - Telecom



- Over the last 3 years:
  - Revenue CAGR of -0.4%
  - EBITDA CAGR of 3.1%
- 1H FY19 revenue impacted by poor mobile sales
- Telecom EBITDA margin of 14.7% flat on prior half excluding one off adjustments

## 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 Stage 3 and the fit out of Data Hall 4 for Fortune 100 Customer
- In the Telecom business, a current example is investment in SDWAN and nbn migrations
- IC3 spend not included in growth capex
- **Growth Capex** was \$10.3m in 1H FY19

## 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 \$8.7m in 1H FY19 reflective of our data centre sales success & product mix

## Maintenance Capex.

- Most of the remaining Capex is infrastructure refresh and internal software development known as **Maintenance Capex**
- **Maintenance Capex** was \$4.8m for 1H FY19



# Balance Sheet & Cash Flows.

- Cash of \$14.3m. Undrawn debt facility of \$100m with a syndicate of banks executed to fund the build of IC3 data centre
- Strong conversion of EBITDA to operating cash flows
- 1H FY19 capital spend of \$23.8m
  - Growth Capex \$10.3m
  - Customer Growth Capex \$8.7m
  - Maintenance Capex \$4.8m
- Final FY18 dividend of 25 cps (\$5.27m) was paid during 1H19. As previously advised, dividends will be suspended during this key investment phase.
- IC3 development expenditure will be maintained as WIP in the balance sheet until practical completion where it will form part of the development agreement with Keppel

\$m	FY18	1H19
Cash and cash equivalents	30.3	14.3
Other current assets	21.4	26.9
Non-current assets	92.0	105.1
<b>Total Assets</b>	<b>143.7</b>	<b>146.3</b>
Creditors	33.4	33.6
Other Liabilities	16.9	15.8
<b>Total Liabilities</b>	<b>50.3</b>	<b>49.4</b>
<b>Total Equity</b>	<b>93.4</b>	<b>96.9</b>

\$m	1H18	1H19
Cash flows from Operating Activities	14.6	14.3
Cash flows from Investing Activities	(19.8)	(25.0)
Cash flows from Financing Activities	(5.3)	(5.3)
<b>Net increase/(decrease) in Cash Held</b>	<b>(10.5)</b>	<b>(16.0)</b>
Opening Cash and cash equivalents	31.8	30.3
<b>Closing Cash and cash equivalents</b>	<b>21.3</b>	<b>14.3</b>

# Outlook

- Underpinned by strong sales growth, full year FY19 EBITDA is expected to be approximately \$51 to \$53 million
- Telecom commenced the required nbn migrations program which is expected to accelerate during 2H FY19. The cost and effort of the scale of these migrations will become clearer across 2H FY19
- Hosting's Fortune 100 customer will commence billing for Stage 3 and Data Hall 4 in Q3 FY19
- Continued 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
- IC3 development expenditure expected to be in the range of \$17-20m

\$m	FY19
EBITDA	\$51m - \$53m
Customer Growth Capex	\$14m - \$15m
Maintenance Capex	\$13m - \$14m
Growth capex	
– Hosting	\$8m - \$9m
– Telecom	\$10m - \$11m
Depreciation	\$29m - \$31m

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