

19 February 2020

The Manager
Market Announcements Office
Australian Securities Exchange Limited
20 Bridge St
Sydney NSW 2000

ELECTRONIC LODGEMENT

Dear Sir or Madam,

Media Release and Investor Presentation – Year ended 31 December 2019

Vocus Group Ltd today provides the attached Half Year Results Media Release and Investor Presentation for the half year ended 31 December 2019.

A webcast for investors will be held at 10.00am today and can be accessed at <https://vocusgroup.com.au/investors/company-performance/webcasts/>

Authorised for release by:



Simon Lewin
Company Secretary

19 February 2020

Clear progress on Vocus turnaround

Momentum growing in Vocus Network Services

Vocus Group Limited (“Vocus”, ASX: VOC), Australia’s specialist fibre and network solutions provider, today announced its results for the half-year to 31 December 2019, demonstrating clear progress on its three year turn-around strategy and delivering on the growth opportunity in Vocus Network Services.

Key highlights for the half year include:

- Vocus Network Services EBITDA growth of 11%
- Vocus New Zealand continues its strong performance with Revenue and EBITDA growth of 6%
- Retail delivering improving revenue trends in Consumer
- Momentum in operational improvements and strong cost control across all business units

Group Managing Director and CEO Kevin Russell stated, “Vocus is at the mid-point of our three-year turnaround. Over the last 18 months, we have delivered three steady financial halves and have built the foundations for growth. We have absorbed the impact of NBN in Retail, at the same time as investing in new capability to capitalise on the growing market opportunity for Vocus Network Services. We are clear on our strategy and have the team to execute.

“Vocus Network Services is seeing good sales momentum, and a pipeline that is markedly stronger in terms of the size and quality of opportunities. Our credentials to win large, complex deals are market-leading, as evidenced by the Barossa Offshore Project we are contracted to build for ConocoPhillips and the delivery of the Coral Sea Cable for the Commonwealth Government, which was on budget and ahead of schedule.

“With industry focus continuing to be on 5G, we are well positioned as Australia’s specialist fibre and network services provider. Vocus will also benefit from NBN Co’s changed approach in the Enterprise market, which will make efficient use of existing fibre infrastructure and re-establish NBN Co within its wholesale-only mandate. These two changes re-affirm the fundamental role of infrastructure investment and competition in delivering the best outcomes for customers.

“Vocus New Zealand has strong momentum, with growth in both the consumer and enterprise markets. The business continues to improve operating leverage, delivering increased revenue from lower headcount and overhead costs.

“Our Retail operation is showing encouraging signs of revenue stabilising for its core consumer base as we diversify towards mobile and energy. We continue to manage the erosion of revenue and margins as customers transition to the NBN and have made strong inroads in reducing our cost structure.

ASX/Media Release

Business Performance

Vocus Network Services generated EBITDA growth of 11%, on recurring revenue growth of 5%. The result was driven by strong sales in target segments, with traction in all key verticals, including continuing demand for international capacity on the Australia Singapore Cable. Non-recurring revenue decreased following successful completion of the Coral Sea Cable project, highlighted in the prior period.

Vocus New Zealand delivered another excellent result in the period with revenues up 6% and underlying EBITDA up 6%. The result was driven by strong sales in the Enterprise and Consumer segments and in both Telco and Energy products. The Wholesale business has performed well on the back of the streaming of the Rugby World Cup and growth of new entrants into the market.

The Retail business performance improved on the prior comparable period (pcp) with a revenue decline of 12%, compared with 15% in the previous financial year. The expected decline in legacy ADSL broadband and voice products was partially offset by growth in NBN and IP Voice products. Underlying EBITDA was down 21%, but strong cost control measures saw overhead costs reduce by 14% on the pcp. A stronger and improving performance in the Dodo brand was offset by the declines in the Commander brand.

Outlook

The Company reiterates the previously stated FY20 guidance of:

- Group Underlying EBITDA in the range of \$359-379 million (excluding significant items)
- Underlying EBITDA growth of \$20-30 million in Vocus Network Services, offset by a similar decline in Retail
- Capex in the range of \$200-210 million
- Cash conversion between 90-95%

Webcast for Investors

Group Managing Director / CEO Kevin Russell and Group CFO Nitesh Naidoo will hold a webcast for investors at 10am on 19 February 2020. To attend the webcast, investors may register via our website:

<https://vocusgroup.com.au/>

ENDS

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About Vocus

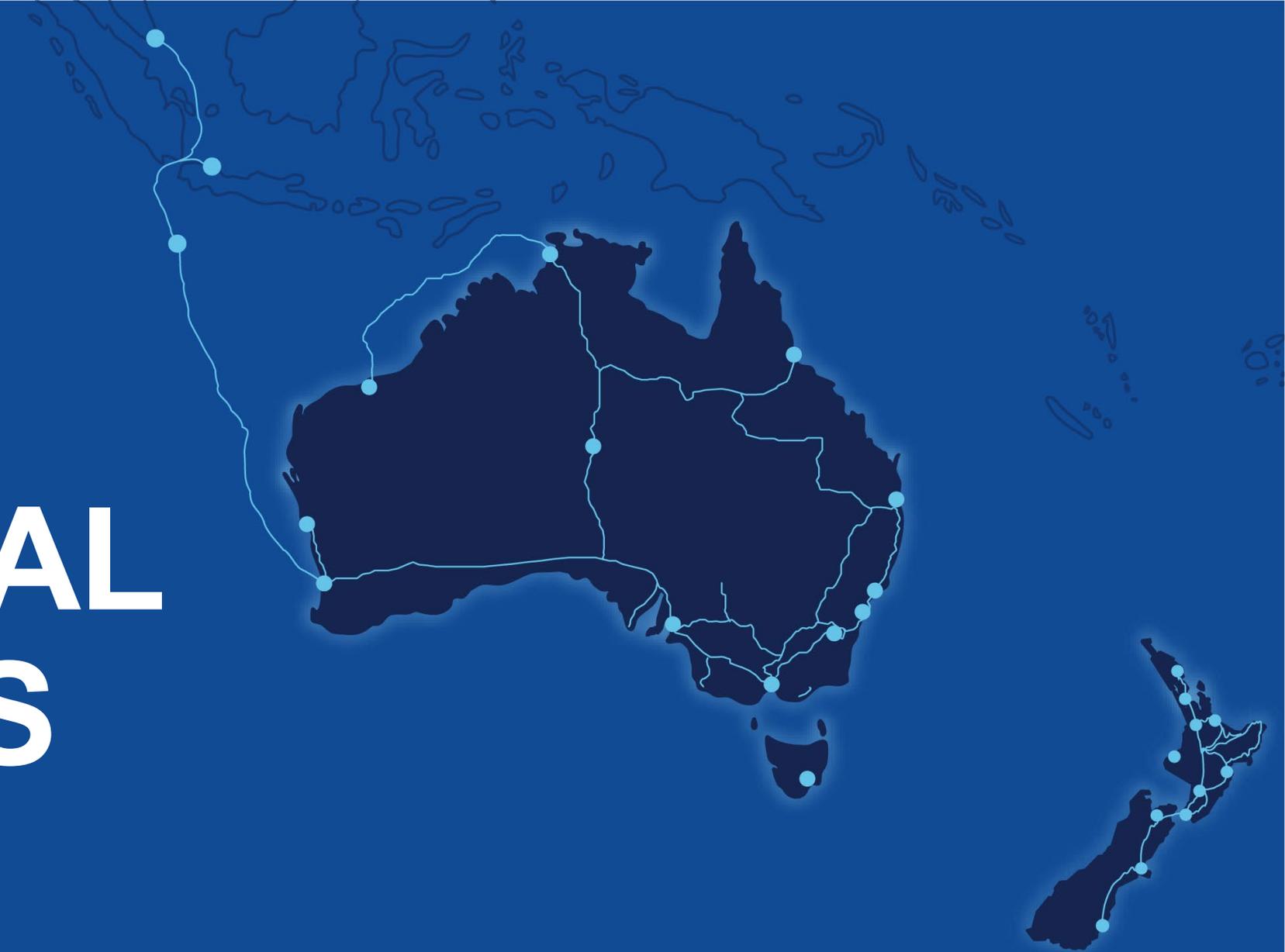
Vocus Group Limited (ASX: VOC) is Australia's specialist fibre and network solutions provider, connecting all mainland capitals with Asia and the USA. Regionally, Vocus has backhaul fibre connecting most regional centres in Australia. Vocus also operates an extensive and modern network in New Zealand, connecting the country's capitals and most regional centres. In total, the Vocus terrestrial network is c.30,000 route-km of high performance, high availability fibre-optic cable, including 4,600km of submarine cable connecting Singapore, Indonesia and Australia and 2,100km of submarine cable between Port Hedland and Darwin and connecting offshore oil and gas facilities in the Timor Sea. Vocus owns a portfolio of well-recognised brands catering to enterprise, government, wholesale, small business and residential customers across Australia and New Zealand.

VOCUSGROUP

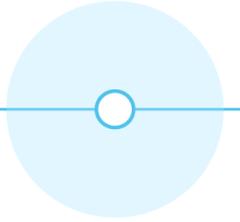
H1 FY20 FINANCIAL RESULTS

19 February 2020

AUSTRALIA'S SPECIALIST FIBRE AND NETWORK SOLUTIONS PROVIDER
CONNECTING ALL MAINLAND CAPITALS WITH ASIA



H1 FY20 FINANCIAL SUMMARY



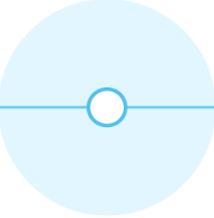
HIGHLIGHTS

- Growth in Group Underlying EBITDA
- Group leverage reducing
- Strong Vocus Network Services EBITDA growth of 11%
- Continued growth momentum in NZ
- Improving revenue trends in Retail Consumer and strong cost control

LOWLIGHTS

- Retail legacy margin erosion

H1 FY20 BUSINESS HIGHLIGHTS



- 1** New teams settled at VNS and Retail
- 2** Strong sales in VNS target segments and growing pipeline
- 3** Completion of Coral Sea Cable on budget and ahead of schedule
- 4** Momentum on simplification and modernisation of technology platforms
- 5** Growth in Telco and Energy portfolios in New Zealand
- 6** Dodo returning to SIO growth in Retail and service level improvements
- 7** Cost management across all business units

BUSINESS UPDATE



IMPROVING SALES MOMENTUM

PROGRESS IN H1FY20

- Delivering opportunities on North West Cable asset
 - Major design, build & service contract – Conoco Phillips
- Traction in all key verticals
- Average contract size for Enterprise and State Government MRR +30%
- NBN partnership - Bureau of Meteorology, State government health departments
- Continued sales growth of international capacity on ASC
- Pipeline – marked increase in large contract opportunities

ENTERPRISE

Industry focused
Local Government
Fin/Prof Services

Oil & Gas
Mining
Broadcast Media

GOVERNMENT AND SPECIAL PROJECTS

Co-funded, secure or
high-capacity networks

Large departments and
agencies across Federal
and State Governments

WHOLESALE

Global OTTs
and CDNs

Domestic
and international
carriers

System
Integrators
MSPs RSPs

GROWING MARKET CREDENTIALS

ENTERPRISE AND STATE GOVERNMENT

- Oil & Gas
- Mining
- Financial Services
- “The Terabit Territory”



FEDERAL GOVERNMENT

- Delivery of Coral Sea Cable on budget and ahead of schedule
- Appointed to design Timor Leste cable

WHOLESALE

- Connected to Tier III/IV data centres in Australia
- Growing international relevance on the back of ASC

GROWTH OPPORTUNITIES WITH NBN

RECENT NBN ANNOUNCEMENTS

- 1 Avoid overbuilding existing infrastructure
- 2 NBN to operate within wholesale-only mandate

Why partner with NBN?

- Complements Vocus high capacity network
- Reach customers beyond our existing network
- Better customer solution

CASE STUDY – DELIVERING ACCESS AGNOSTIC SOLUTIONS

- Bureau of Meteorology existing Vocus customer
- Contract size increased from \$7m (3 year contract) to \$16m (4 year contract)
- c.115 sites serviced on Vocus fibre
- Renewed and increased scope to c.200 sites
- Partnered with NBN for 65 new sites (using fibre and satellite) and Telstra for remaining sites



STRENGTHENING BUSINESS OPERATIONS

- Sales capability training
- Reset commission structure – focus on retention and profitability
- Improving base management, churn and price erosion
- Revised model to serve indirect channel partners
- Key product launches - productised SD-WAN, NBN Enterprise Ethernet and NBN Business Satellite
- Dealing with Legacy – commenced shut down of 5 BSS systems, 2 networks, over 100 legacy unbundled copper exchanges, and products across Enterprise, Wholesale and Retail businesses
- Future State progress – vendors contracted and underway with 10% of new sites delivered (ahead of schedule)
- Cost out action underway

BUSINESS HIGHLIGHTS - NEW ZEALAND



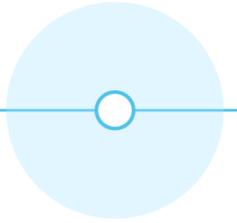
CONSUMER AND BUSINESS

- Digital leadership supporting low cost operating model
- Broadband led bundling strategy well executed with high attachment rates
- Increased focus on mobility and fixed wireless broadband

ENTERPRISE AND WHOLESALE

- Leadership and structure changes to support growth in Enterprise segment
- Streaming of the Rugby World Cup driving network demand
- Investment in platforms, portals and APIs for both segments

BUSINESS HIGHLIGHTS - RETAIL



iPrimus



© commander

CONSUMER

- NBN, Mobile and Energy products growing SIOs during period
- Increasing NBN ARPU and AMPU
- Improving customer service – 44% reduction in Ombudsman complaints (Telco and Energy)

BUSINESS

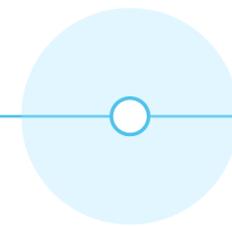
- Enhancing distribution – new Commander Centres, automation and online channel partners
- Increased NBN SIOs by 35%
- Increased IP Voice SIOs by 15%
- Repricing voice portfolio and managing churn to protect margin

-
- Continuing strong cost discipline – driving lean operating model
 - Reduced offshore headcount by 32%
 - Progress on removal of legacy

FINANCIAL RESULTS



VOCUS GROUP P&L



\$m	H1FY20	H1FY19	% change
Recurring revenue			
Vocus Network Services	305.7	292.1	5%
New Zealand	188.5	174.0	8%
Retail	382.2	433.8	(12%)
	876.4	899.9	(3%)
Non-recurring revenue			
	25.5	69.1	nm²
Total revenue	901.9	969.0	(7%)
Direct costs*	(512.7)	(564.8)	(9%)
Gross margin	389.2	404.2	(4%)
Overheads*	(209.9)	(227.8)	(8%)
Underlying EBITDA	179.3	176.4	2%
Underlying NPAT¹	54.4	54.6	(0%)

* including all allocated costs

1. Refer to OFR for a reconciliation from Underlying EBITDA to Underlying NPAT

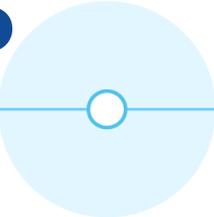
2. Not meaningful

Strong revenue performance in Vocus Network Services and New Zealand offset by legacy decline within Retail

Strong cost control in overheads across all business units

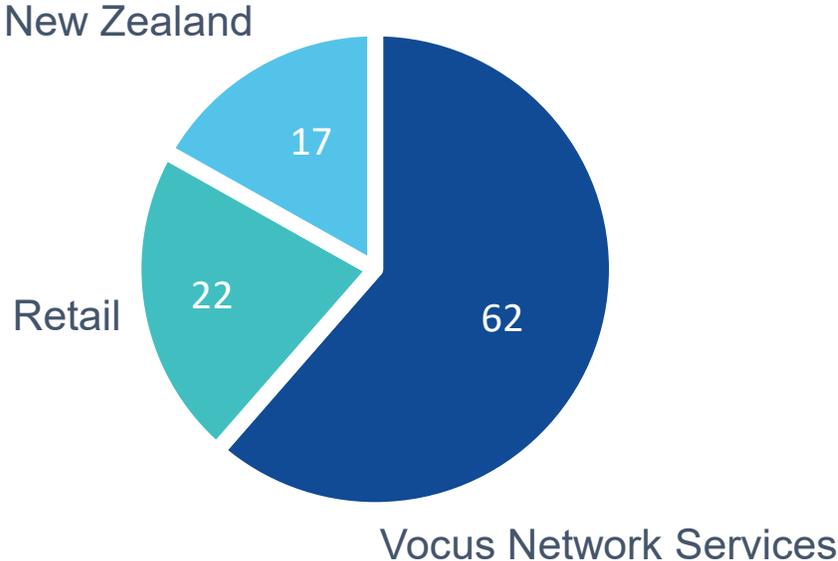
Underlying EBITDA growth of 2%

GROWTH IN VOCUS NETWORK SERVICES



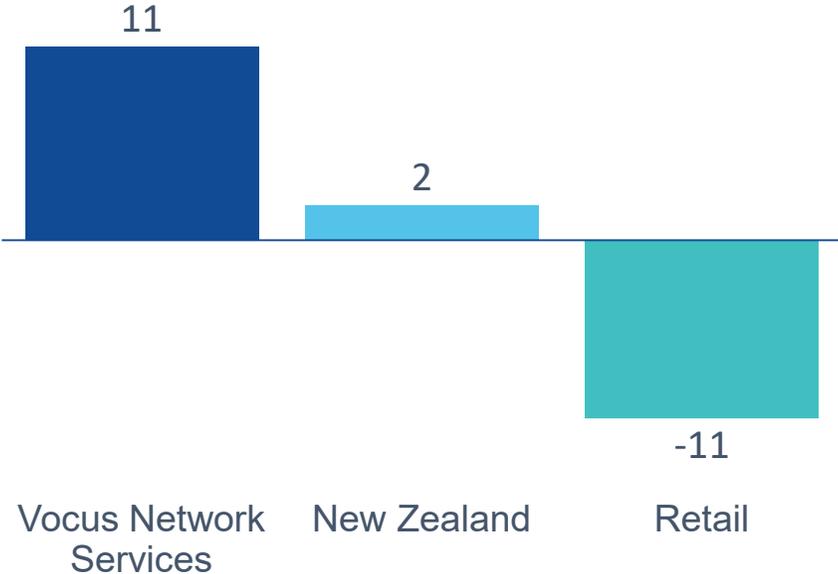
Contribution to H1 FY20 EBITDA

%

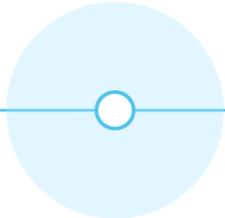


Business unit H1 FY20 PCP EBITDA growth

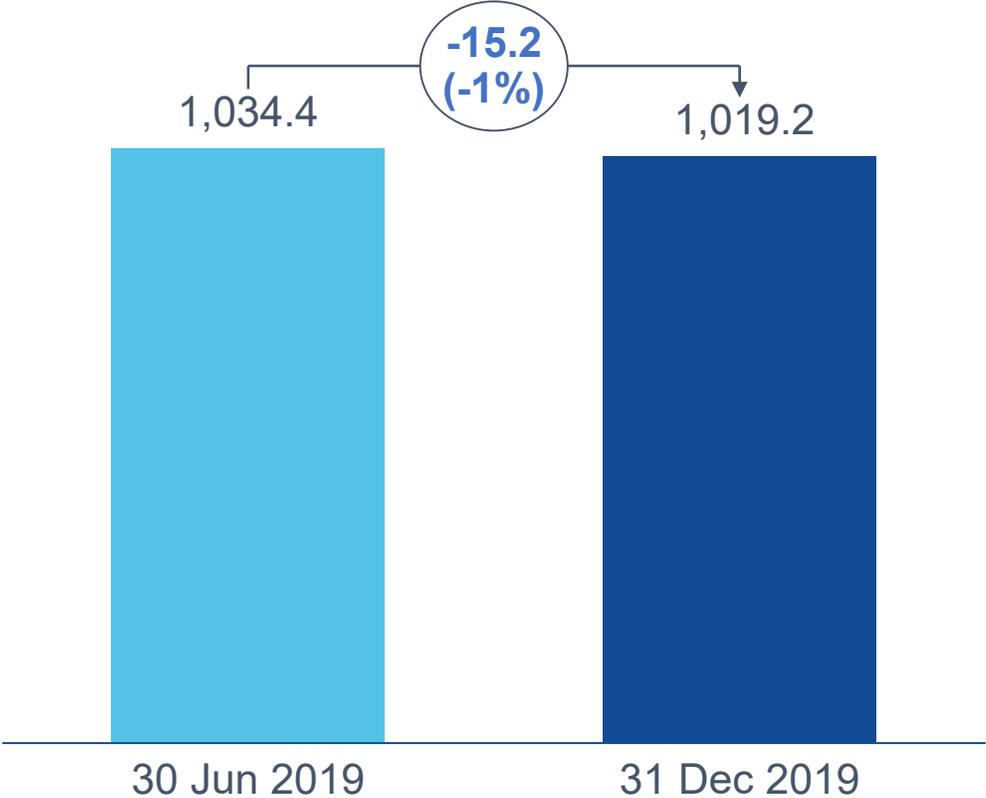
\$m



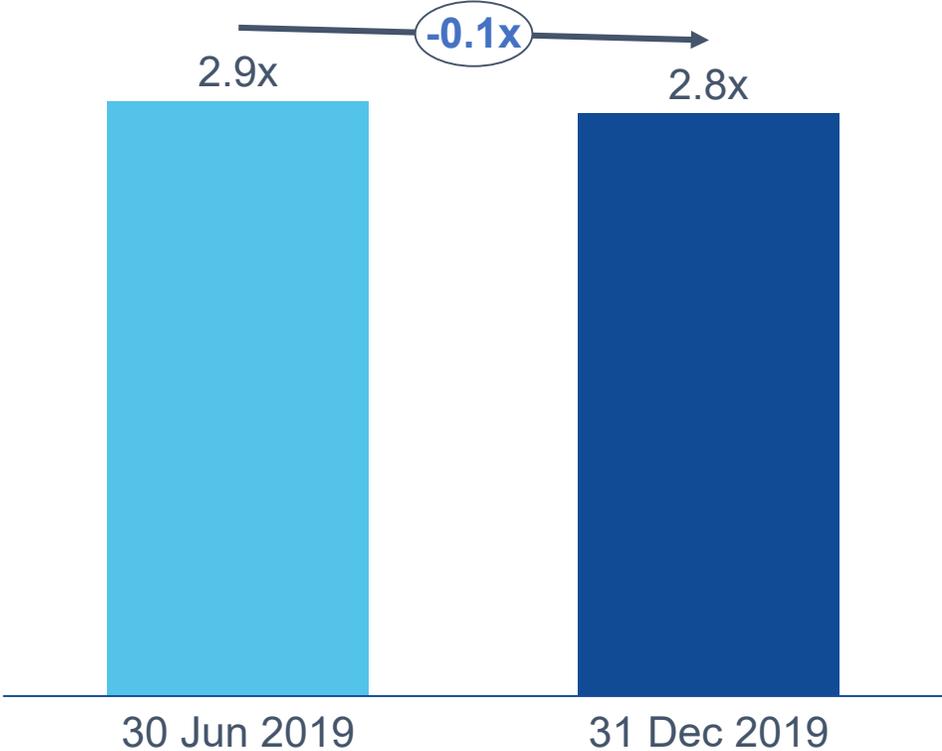
NET DEBT AND NET LEVERAGE RATIO



Net Debt (\$m)

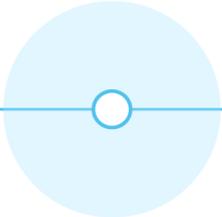


Net Leverage ratio*

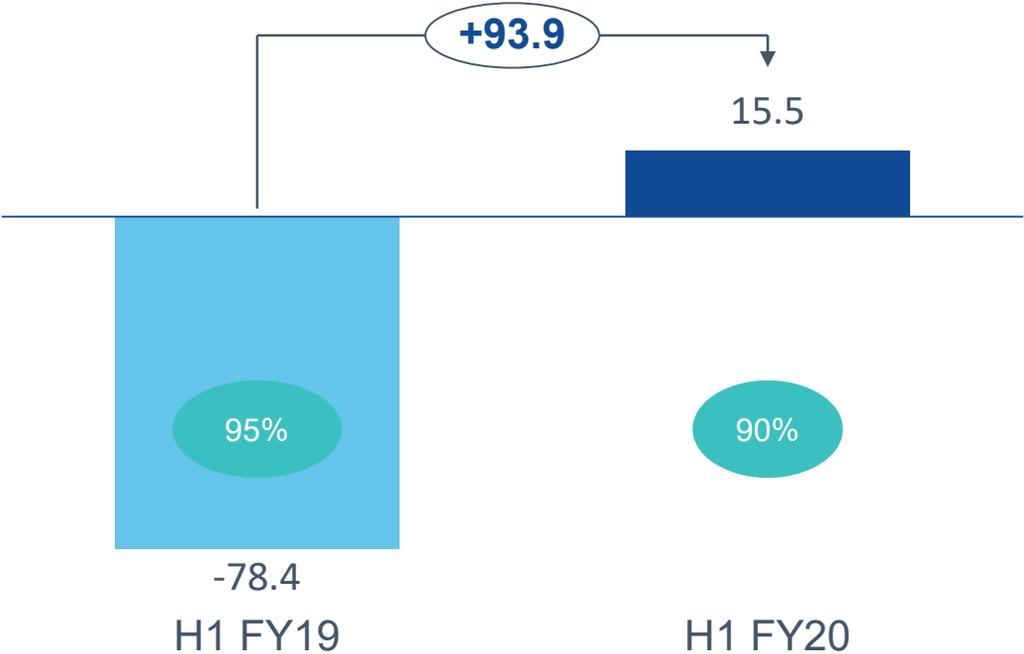


*Lenders methodology

CASH AND CAPEX

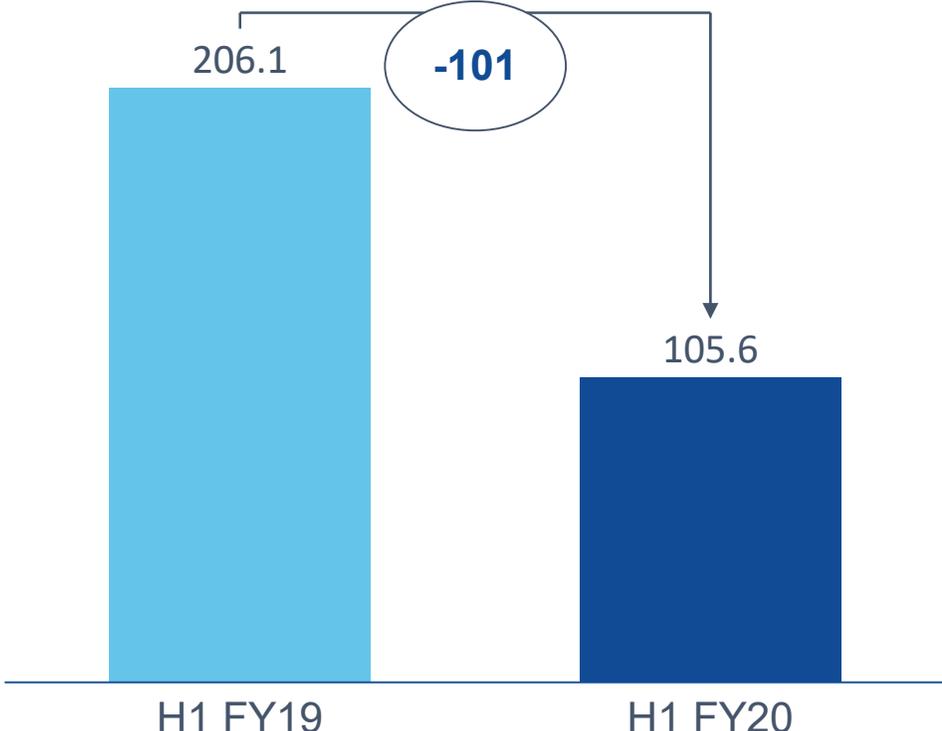


Operating Free Cash Flow (\$m) and Cash Conversion (%)

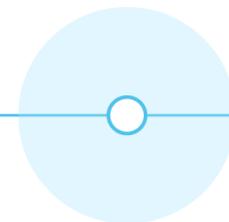


% Cash conversion as per OFR

Cash Capex (\$m)



VOCUS NETWORK SERVICES



Vocus Network Services P&L

\$m	H1FY20	H1FY19	% change
Recurring revenue			
Data networks	200.0	196.9	2%
NBN	34.7	22.9	52%
Other	71.0	72.3	(2%)
	305.7	292.1	5%
Non-recurring revenue			
	25.5	69.1	nm¹
Total revenue	331.2	361.2	(8%)
Direct costs*	(136.2)	(174.8)	(22%)
Gross margin	195.0	186.4	5%
Overheads*	(83.8)	(86.4)	(3%)
Underlying EBITDA	111.2	100.0	11%
Underlying EBITDA margin %	34%	28%	

* including all allocated costs

1. Not meaningful

Growing Vocus Network Services

Data networks revenue growing, driven by ASC

Revenue growth slowed by

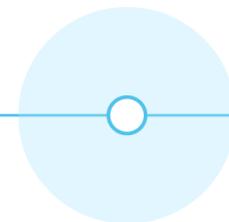
- Material one off churn event as VHA migrated services to TPG - \$8m impact
- Data centre churn

Strong NBN growth and improving wholesale model

Underlying EBITDA growth 11%

Gross margins includes final payment for Coral Sea Cable
Overhead reduction in infrastructure and operations, offset by investment in product and marketing

NEW ZEALAND



NZ P&L

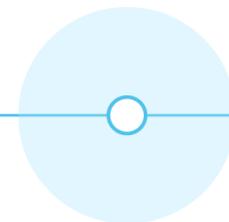
NZD \$m	H1FY20	H1FY19	% change
Revenue			
Enterprise & Wholesale	68.3	64.8	5%
Consumer & Business	131.3	123.4	6%
	199.6	188.2	6%
Direct costs			
	(127.0)	(116.0)	9%
Gross margin	72.6	72.2	1%
Overheads			
	(40.3)	(41.6)	(3%)
Underlying EBITDA	32.3	30.6	6%
Underlying EBITDA margin %	16%	16%	

Continuing revenue growth at 6%

- Growth achieved across both Telco and Energy portfolios driven by SIO and ARPU growth
- Business customers migrated to Orcon brand to improve base management
- Streaming of Rugby World Cup and fibre uptake driving wholesale network growth

EBITDA improves to \$32.3m, up 6%

VOCUS RETAIL



Retail P&L

\$m	H1FY20	H1FY19	% change
Revenue			
NBN	150.3	125.2	20%
IP Voice	13.8	12.9	7%
Mobile	27.2	28.4	(4%)
Energy	98.4	104.7	(6%)
Legacy	73.3	139.3	(47%)
Other	19.2	23.2	(17%)
	382.2	433.8	(12%)
Direct costs*			
	(254.9)	(281.6)	(9%)
Gross Margin	127.3	152.2	(16%)
Overheads*			
	(87.8)	(101.6)	(14%)
Underlying EBITDA	39.5	50.6	(22%)
Underlying EBITDA margin %	10%	12%	

* including all allocated costs

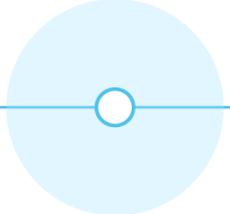
Increasing NBN penetration in Consumer driving Retail stabilisation

Dodo customer base stabilised and growing in the period

Commander legacy product erosion yet to be offset by growth in NBN and IP Voice

Strong cost reductions

CONSUMER LEADING RETAIL STABILISATION



Revenue (\$m)

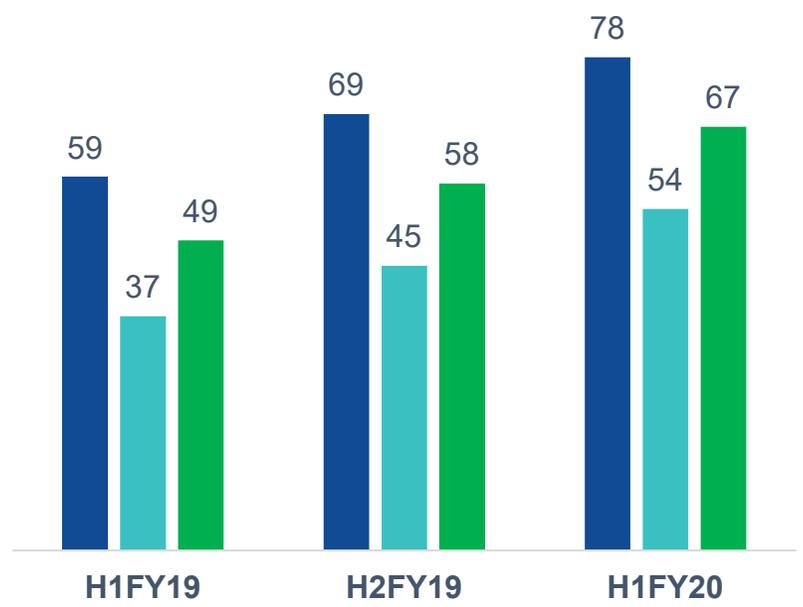
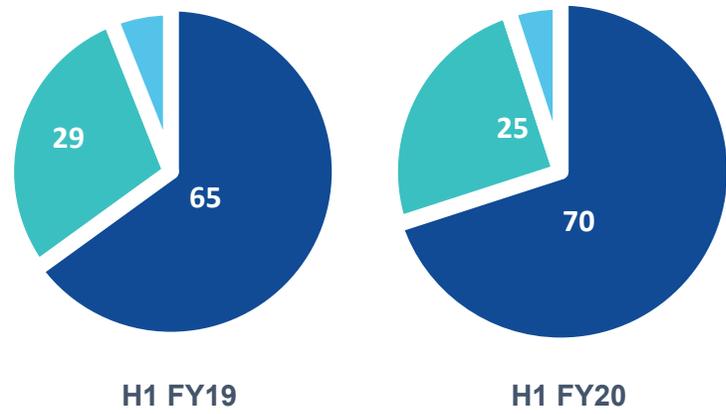
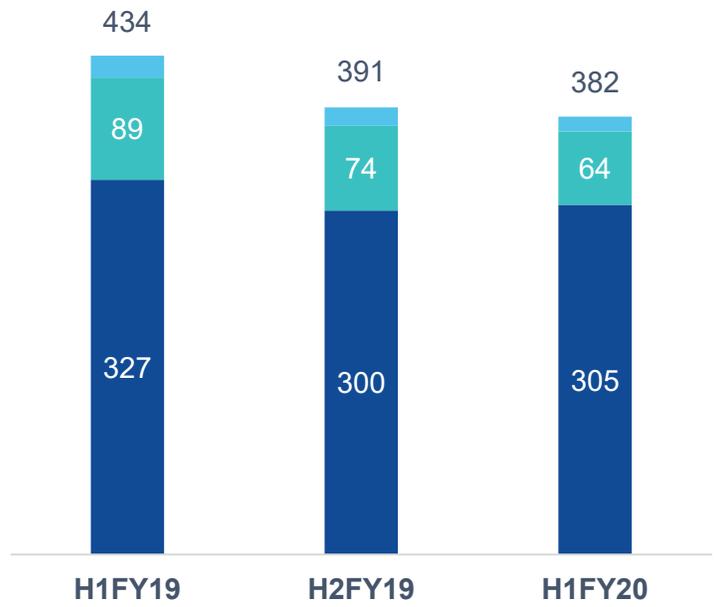
Consumer revenue stabilising

Contribution To GM %

Consumer increasing contribution to gross margin

NBN Penetration** %

Transition from legacy ADSL to NBN broadband in Consumer is mostly complete



■ Consumer ■ Business ■ Other ■ Retail

*Other – Discontinued brands

**NBN Penetration - NBN and IP voice divided by total of Copper, Voice, NBN, IP Voice

GUIDANCE



GUIDANCE UNCHANGED

FY 2020

\$20m - \$30m growth (+10-15%) in Vocus Network Services Underlying EBITDA
offset by similar decline in Retail

Group Underlying EBITDA¹ range
\$359m – \$379m

Expect stronger
2H performance

Capex to be **\$200m – \$210m**
~\$15m on Technology Future State
~\$30m on IRUs²

Cash conversion
90 – 95%

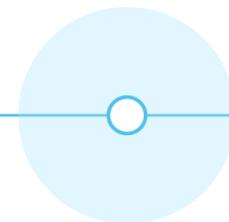
NLR³ continues to reduce

1. Excludes significant items, including AASB16 (Leases) as disclosed in section 1.3 of the Operating and Financial Review
2. Infeasible Rights of Use (“IRUs”)
3. Net Leverage Ratio (Net Debt/EBITDA) – calculated using Lender methodology

APPENDIX

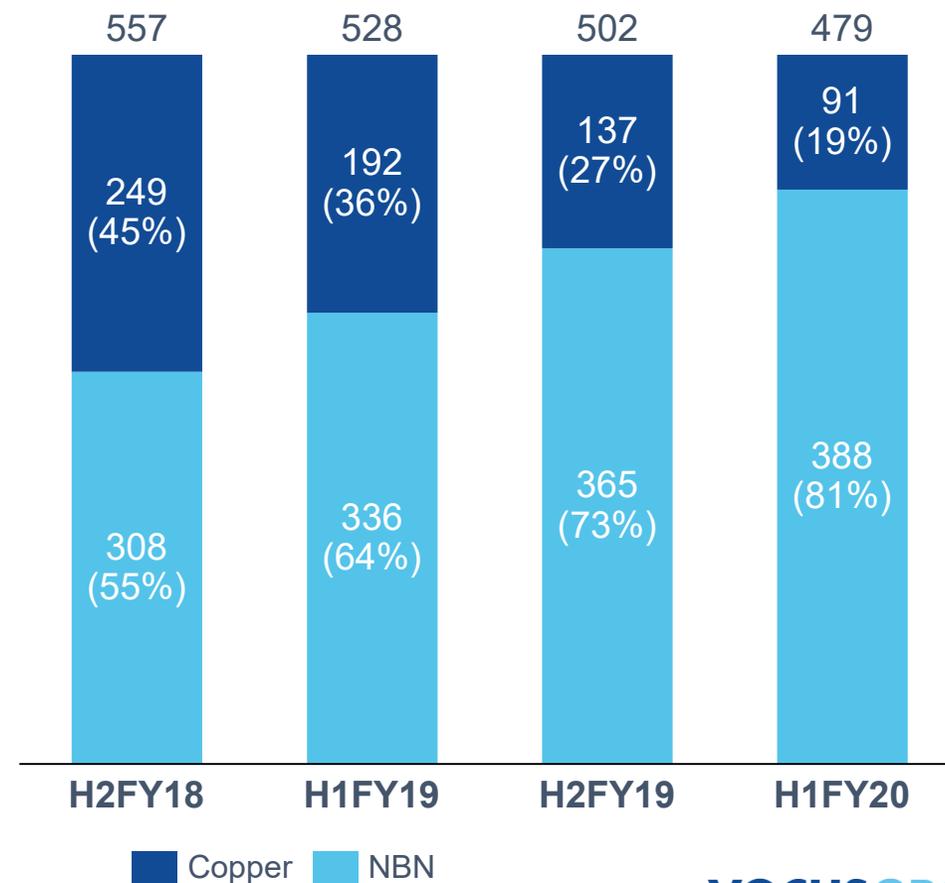


AUSTRALIAN RETAIL – KEY STATISTICS

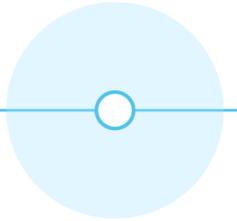


Metrics	H2 FY18	H1 FY19	H2 FY19	H1 FY20
Copper ARPU (\$)	\$57.0	\$58.0	\$56.6	\$55.4
Copper AMPU (\$)	\$24.6	\$26.0	\$24.8	\$23.9
NBN ARPU (\$)	\$64.0	\$64.1	\$64.3	\$66.4
NBN AMPU (\$)	\$20.9	\$21.1	\$20.4	\$21.9
Net Churn – Copper (%)	(2.8%)	(3.2%)	(3.8%)	(4.1%)
Net Churn – NBN (%)	(1.6%)	(1.7%)	(1.8%)	(1.7%)
NBN market share – Retail (excl. satellite)	7.2%	7.0%	6.4%	5.9%
Mobile SIOs (000s)	170	181	180	193
Energy SIO (000s)	140	134	132	132

Broadband SIOs (000s)

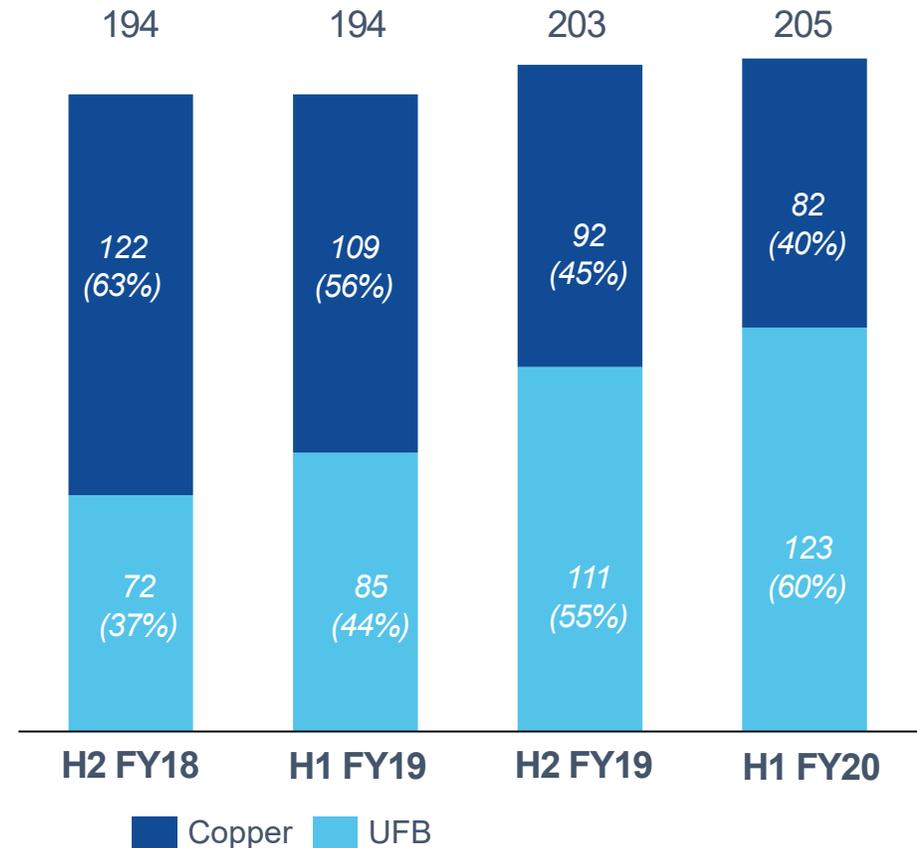


NEW ZEALAND – KEY STATISTICS

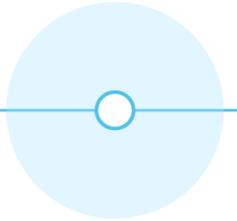


Metrics	H2 FY18	H1 FY19	H2 FY19	H1 FY20
Broadband ARPU (NZ\$)	70.05	69.80	71.61	73.22
Broadband AMPU (NZ\$)	27.71	27.20	28.02	28.74
Net churn rate copper broadband (%)	2.6%	2.3%	2.3%	2.3%
Net churn rate UFB (%)	1.5%	1.7%	1.5%	1.8%
Market Share UFB (%)	13%	13%	14%	14%
Energy SIOs (000s)	17	22	27	29
Mobile SIOs (000s)	24	26	29	39
SMB SIOs (000s)	22	21	20	21

Broadband SIOs (000s)



DISCLAIMER



This presentation (Presentation) contains summary information about Vocus Group Limited (Vocus) and its activities which is current as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in Vocus or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001 (Cth). This Presentation does not constitute investment or financial product advice (nor tax, accounting or legal advice) or any recommendation to acquire shares in Vocus.

Vocus' historical information in this Presentation is, or is based upon, information that has been released to the Australian Securities Exchange (ASX). This Presentation should be read in conjunction with Vocus' other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

All financial information in this Presentation is in Australian Dollars (\$) or AUD) unless otherwise stated. This Presentation contains pro forma and forecast financial information. The pro forma and forecast financial information, and the historical information, provided in this Presentation is for illustrative purposes only and is not represented as being indicative of Vocus' views on its future financial condition and/or performance. The pro forma financial information has been prepared by Vocus in accordance with the measurement and recognition requirements, but not the disclosure requirements, of applicable accounting standards and other mandatory reporting requirements in Australia.

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

This Presentation contains certain 'forward looking statements', including but not limited to projections, guidance on future revenues, earnings, margin improvement, other potential synergies and estimates and the future performance of Vocus. Forward looking statements can generally be identified by the use of forward looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target', 'outlook', 'guidance', 'potential' and other similar expressions within the meaning of securities laws of applicable jurisdictions and include. The forward looking statements contained in this Presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Vocus, its Directors and management, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Actual performance may differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in this Presentation. Investors should consider the forward looking statements contained in this Presentation in light of those disclosures. The forward looking statements are based on information available to Vocus as at the date of this Presentation. Except as required by law or regulation (including the ASX Listing Rules), Vocus undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

Past performance, including past share price performance of Vocus and pro forma historical information in this Presentation, is given for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future Vocus performance including future share price performance. The pro forma historical information is not represented as being indicative of Vocus' views on its future financial condition and/or performance.

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This Presentation is for information purposes only.

**THANK
YOU**

VOCUSGROUP

