

# Half Year Results.

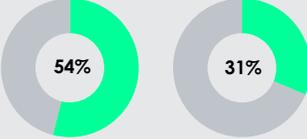
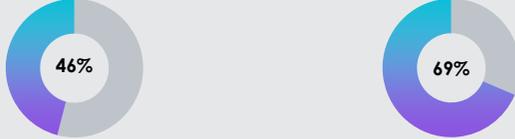
2020.

26 February 2020

## 2 Key Business Highlights.

- Eleven consecutive halves of revenue and EBITDA growth
- EBITDA CAGR of 18.5% over the last 3 years (excluding AASB16 13.3%)
- All Business Units grew revenue with particularly strong growth in Cloud and Government
- Government signed agreement with ATO to provide Secure Internet Gateway (SIG) and cyber security services
- Construction of Intellicentre 3 East (IC3 East), commenced in January with a 12 month build timeframe. Update to be provided later in the year
- Remaining undrawn debt facility of \$93m with a syndicate of banks executed to fund the build of IC3 data centre
- Telecom continue to migrate services to the nbn network in line with plan
- Primary focus on customer service with an ASX leading net promoter score of +71

### 3 Business Summary.

Business Areas				
Percentage of Revenue and EBITDA in H120	 <p>Revenue: 54% EBITDA: 31%</p>	 <p>Revenue: 46% EBITDA: 69%</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.	We are developers & operators of data centres for wholesale customers including underpinning our three internal BUs' colocation services.
Value proposition	Customer Service, Price, Choice, Flexibility, Control	Customer Service, Specialised and Compliant Hosting. For apps not suitable for Public Cloud	Customer Services, Security Operations Centre (SOC), Cyber Security, ASD-Certified Cloud, Data Centre in Canberra	Customer Services, Commercial and Design Flexibility, Physically Secure for Federal Government, Highly Certified, Local and Data Sovereignty, Proven track record
Competitors				
People / Skill	Generalist for Voice & Mobiles TC for Data & Colo know Business Drivers	Cloud Specialists: Custom and Compliant	Cyber Security and Hosting Specialist know Government Drivers	Australian Data Centre Specialists

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### Macquarie Telecom

- #1 in Asia Pacific for SDWAN
- Half of Macquarie customers successfully migrated to NBN
- Strong cross sell of Cloud Services solutions into Telecom's customers
- Launching of Cloud PBX Product "Hello"

### Macquarie Cloud Services

- Continues to grow successfully leveraging the Hybrid IT megatrend
- Managed Azure Practice developing a pathway to public cloud
- 2019 Dell EMC Rising Star award
- 2019 Great Place to Work – Top 20

## Business Highlights Summary.

### Macquarie Government

- 42% of Australian Government agencies
- ASD certified cloud for classified / protected workloads
- ATO cyber security contract, \$20m over the initial 3 year term
- Investing in upgrading the whole of Government Secure Internet Gateway, across our data centres

### Macquarie Data Centres

- Construction of IC3 East commenced in January 2020
- Macquarie Park Data Centre Campus expansion to 43 MW
- Full half of billing for Stage 3 of our Fortune 100 customer
- Significant demand from hyperscale customers



# A Differentiated Offering.

○ Macquarie Telecom Group | Half Year Results 2020

## 6 Company purpose.

To make a difference in markets that are underserved and overcharged.

+71 NPS

## 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 +71 for Q2 FY20 – Australian leading NPS
- NPS is the measure of customer experience 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



**Quality Infrastructure.**

## 8 Data Centre Portfolio expansion.



### Intellicentre 3 East

- Construction commenced in January 2020
- Initial build capex \$82-\$85M (excluding additional power) comprising of:
  - 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
- Keppel contribution to core and shell build cost \$26-\$36M

## 9 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

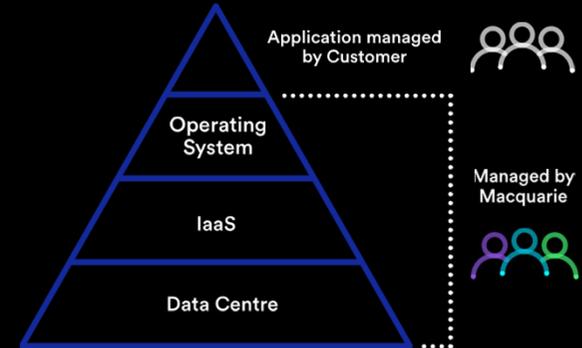
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# Our private cloud is a key source of data centre utilisation and generates higher revenue per rack.

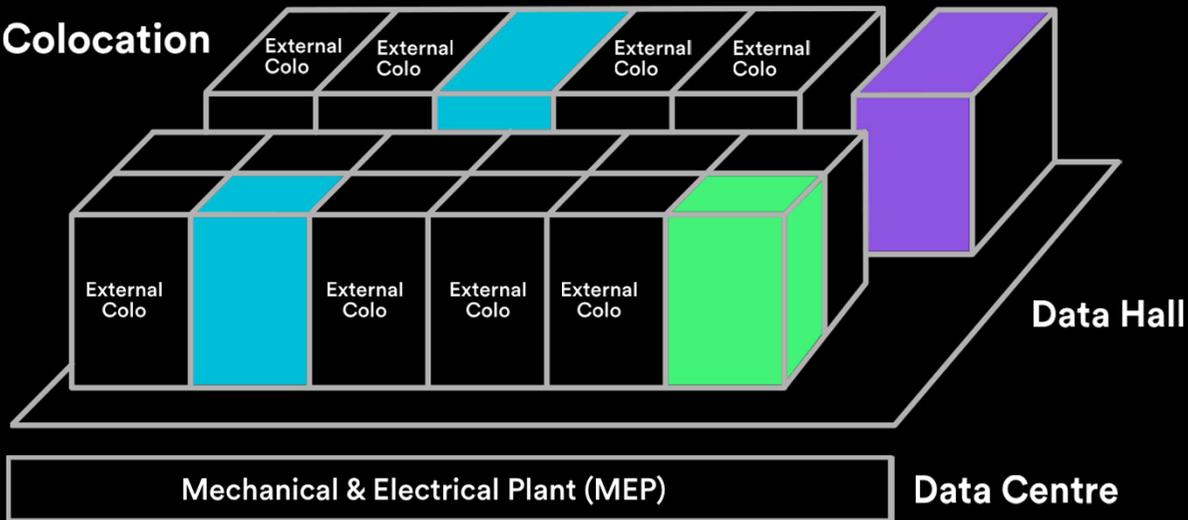


**VMware**  
**Virtualisation**

Underlying infrastructure anonymised as we sell outcome focused solutions



**Colocation**





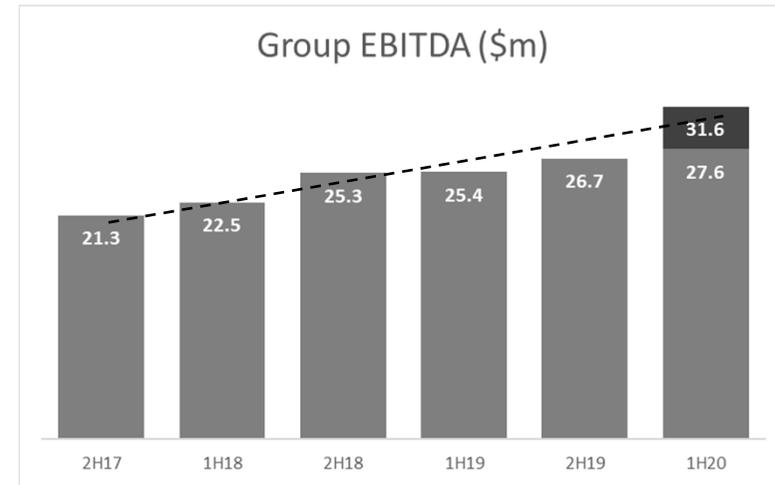
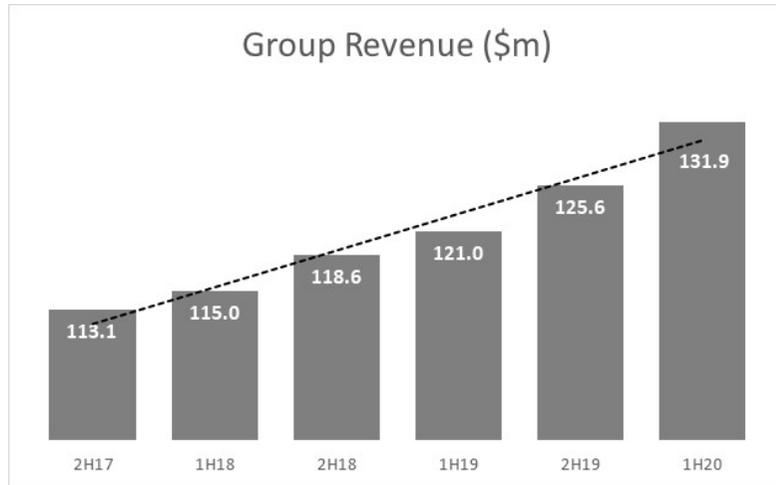
# Financials.

## Financial Results.

\$m	1H19	2H19	1H20 pre AASB16	1H20 v 1H19 pre AASB16	% change pre AASB16	1H20 post AASB16	Impact of AASB16
Total Revenue							
Telecom	70.4	70.4	71.8	1.4	2%	71.8	0.0
Hosting	53.0	57.6	62.7	9.7	18%	62.7	0.0
Inter-segment	(2.4)	(2.4)	(2.6)	(0.2)		(2.6)	0.0
<b>Total Revenue</b>	<b>121.0</b>	<b>125.6</b>	<b>131.9</b>	<b>10.9</b>	<b>9%</b>	<b>131.9</b>	<b>0.0</b>
EBITDA							
Telecom	10.1	9.8	9.1	(1.1)	(10%)	9.9	0.8
Hosting	15.3	16.9	18.6	3.3	21%	21.7	3.1
<b>Total EBITDA</b>	<b>25.5</b>	<b>26.7</b>	<b>27.6</b>	<b>2.1</b>	<b>8%</b>	<b>31.6</b>	<b>4.0</b>
Depreciation & Amortisation	(13.6)	(15.0)	(16.5)	(2.9)		(20.0)	(3.5)
<b>EBIT</b>	<b>11.9</b>	<b>11.7</b>	<b>11.1</b>	<b>(0.8)</b>	<b>(6%)</b>	<b>11.6</b>	<b>0.5</b>
Interest	0.2	(0.3)	(0.4)	(0.6)		(2.2)	(1.8)
<b>NPBT</b>	<b>12.1</b>	<b>11.4</b>	<b>10.7</b>	<b>(1.3)</b>	<b>(11%)</b>	<b>9.4</b>	<b>(1.3)</b>
Tax	(3.8)	(3.0)	(3.1)	0.7		(2.7)	0.4
<b>NPAT</b>	<b>8.3</b>	<b>8.3</b>	<b>7.6</b>	<b>(0.6)</b>	<b>(7%)</b>	<b>6.7</b>	<b>(0.9)</b>

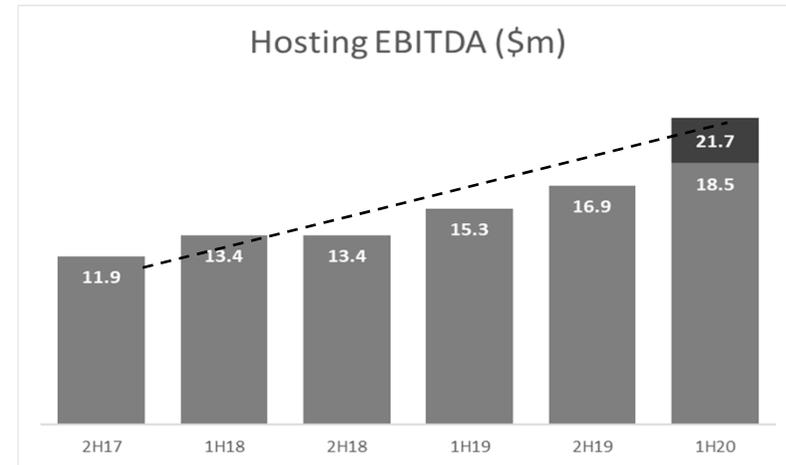
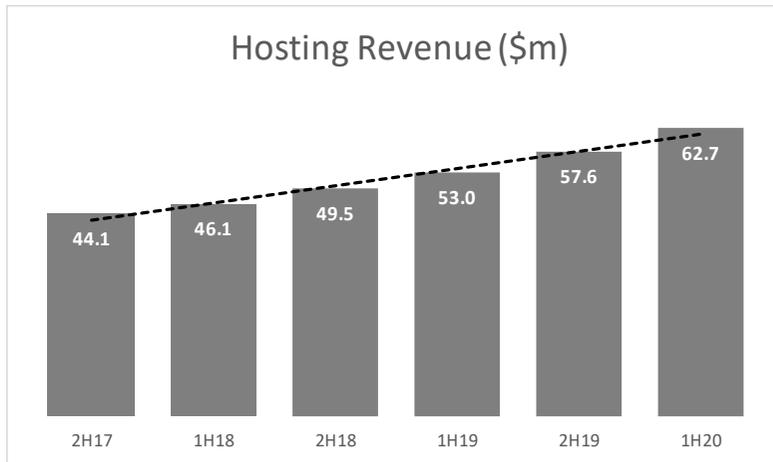
- Inter-segment revenue relates to services provided by the Hosting segment to the Telecom segment, eliminated on consolidation
- EBITDA post AASB16 has increased by \$4.0m as rent is excluded under AASB16. Instead lease obligations are recognized on the balance sheet as right of use assets and lease liabilities. This results in \$3.5m of depreciation of the right of use asset and \$1.8m interest from the lease liability

## Group Financial Performance.



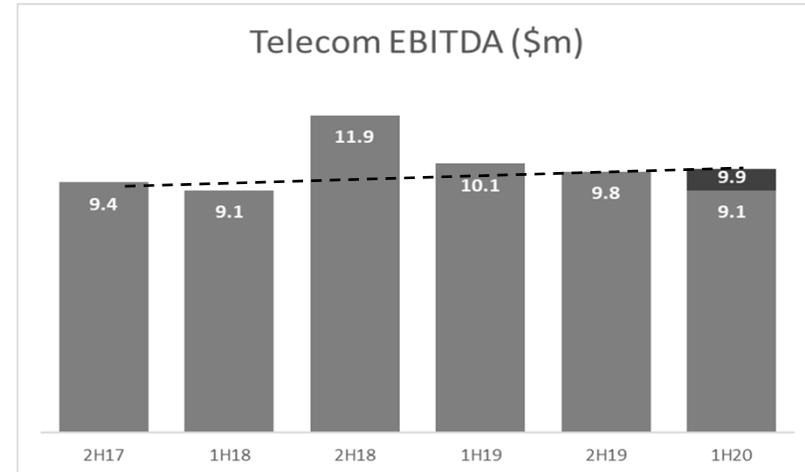
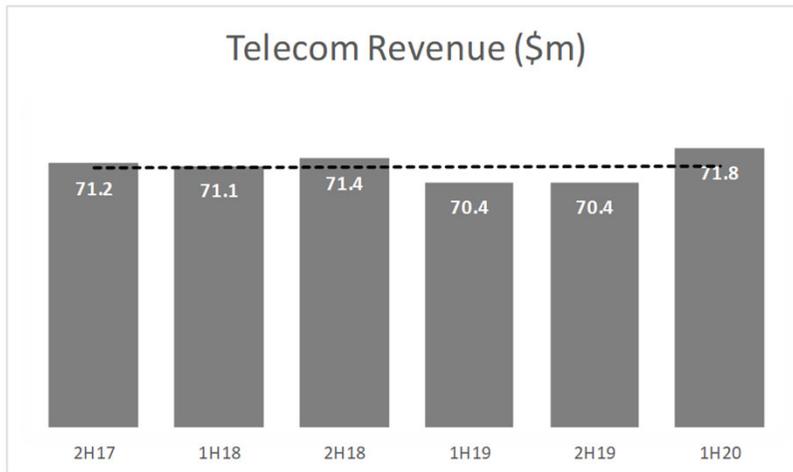
- Over the last 3 years:
  - Revenue CAGR of 7.2%
  - EBITDA CAGR of 18.5% (excluding AASB16 13.3%)
  - EBITDA margin improved from 17.7% (1H17) to 24.0% (1H20) (excluding AASB16 20.9%)
- Impact of AASB16 increases EBITDA by \$4.0m (as per graph)

## Financial Performance – Hosting



- Over the last 3 years:
  - Revenue CAGR of 18.3%
  - EBITDA CAGR of 30.8% (excluding AASB16 24.0%)
  - EBITDA margin improved from 25.6% (1H17) to 34.6% (1H20) (excluding AASB16 29.5%)
- Highly leveraged business with improving margins as infrastructure utilisation increases
- Strong Government cyber security growth and Cloud growth
- Impact of AASB16 increases EBITDA by \$3.2m (as per graph)

## Financial Performance - Telecom



- Over the last 3 years:
  - Revenue CAGR of 0.2%
  - EBITDA CAGR of 2.1% (excluding AASB16 (0.7)%)
- Telecom EBITDA margin of 13.8% (excluding AASB16 12.7%)
- Significant investment in staff to facilitate migration to the nbn
- Impact of AASB16 increases EBITDA by \$0.8m (as per graph)

## 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 Secure Internet Gateway services for the ATO
- In the Telecom business, a current example is investment in SDWAN and nbn migrations
- IC3 spend not included in growth capex
- **Growth Capex** was \$5.5m in 1H FY20

## 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 \$11.6m in 1H FY20 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 \$6.0m for 1H FY20

## 17 Balance Sheet & Cash Flows.

- Cash and cash equivalents of \$6.9m. First draw down of \$7m in Oct19 with remaining undrawn debt facility of \$93m with a syndicate of banks executed to fund the build of IC3 data centre
- 1H FY20 capital spend of \$23.1m ex IC3
  - Growth Capex \$5.5m
  - Customer Growth Capex \$11.6m
  - Maintenance Capex \$6.0m
- 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
- Key impact of AASB16 has been to:
  - recognise \$77.5m of Right-of-use assets (non-current) offset by \$78.7m of lease liabilities on the balance sheet at 1 July 2019
  - \$3.9m of interest and lease payments in financing activities in the cash flow (with nil cash impact)

\$m	FY19	1H20 pre AASB16	1H20 post AASB16
Cash and cash equivalents	17.1	6.9	6.9
Other current assets	29.5	35.1	34.6
Non-current assets	114.7	130.1	204.4
<b>Total Assets</b>	<b>161.3</b>	<b>172.1</b>	<b>245.9</b>
Creditors	34.1	29.1	29.1
Other Liabilities	20.4	28.2	102.9
<b>Total Liabilities</b>	<b>54.5</b>	<b>57.3</b>	<b>132.0</b>
<b>Total Equity</b>	<b>106.8</b>	<b>114.8</b>	<b>113.9</b>

\$m	1H19	1H20 post AASB16
Cash flows from Operating Activities	14.3	13.9
Cash flows from Investing Activities	(25.0)	(26.8)
Cash flows from Financing Activities	(5.3)	2.7
<b>Net increase/(decrease) in Cash Held</b>	<b>(16.0)</b>	<b>(10.2)</b>
Opening Cash and cash equivalents	30.3	17.1
<b>Closing Cash and cash equivalents</b>	<b>14.3</b>	<b>6.9</b>

## 18 Outlook.

- Underpinned by strong sales growth, full year FY20 EBITDA is expected to be approximately \$63 to \$66 million (\$55 to \$58 million pre AASB16)
- Telecom continue to win customers from legacy data and IP carriers with our nbn and SD WAN solutions
- Cloud Services continue to grow successfully leveraging the Hybrid IT megatrend
- Continued demand from our Federal Government Agencies for cybersecurity and 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 \$29 to \$32 million for FY20

FY 20	\$m
EBITDA	63 - 66
EBITDA pre AASB16	55 - 58
Customer Growth Capex	31 - 32
Maintenance Capex	16 - 17
Growth Capex	14 - 15
Total CAPEX excluding IC3	61 - 64
Depreciation pre AASB16	31 - 33
IC3 Development Expenditure WIP	29 - 32

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