

Date: 19 August 2020

**The Manager  
Company Announcements Office  
Australian Securities Exchange  
4th Floor  
20 Bridge St  
SYDNEY NSW 2000**

**ELECTRONIC LODGEMENT**

## **FY20 Full Year Results – Media Release and Investor Presentation**

Vocus Group Ltd (ASX:VOC) today provides the attached FY20 Full Year Results Media Release and Investor Presentation for the full year ended 30 June 2020.

The Company will conduct an investor briefing commencing at 10.30am this morning. The briefing will be webcast and can be accessed through the Company's website at [www.vocusgroup.com.au](http://www.vocusgroup.com.au). Registration for the webcast is available now via [www.vocus.com.au/investors](http://www.vocus.com.au/investors). A recording of the briefing will be available on the website later in the day.

**ENDS**

Authorised for release by:



Simon Lewin  
Company Secretary

## Vocus delivers strong turnaround progress in FY20, Vocus Network Services winning market share

- **Three-year turnaround firmly on-track**
- **Well positioned to capitalise on accelerating market trends**
- **Vocus Network Services winning market share: EBITDA +10%**
- **Consumer business stabilising and returning to growth**
- **New Zealand delivers 5<sup>th</sup> consecutive year of organic EBITDA growth**

Vocus Group Limited ("Vocus", ASX: VOC), Australia's specialist fibre and network solutions provider, today announced strong progress on its three-year turnaround, with Vocus Network Services (VNS) firmly established as the company's core growth engine.

Group Managing Director and CEO Kevin Russell stated, "Vocus' FY20 results show that we are firmly on-track in our three-year turnaround, meeting all aspects of financial guidance that was first provided in July 2019."

"The Group operated strongly throughout the year and especially during COVID-19, which has reinforced the essential nature of telecoms infrastructure and services. Revenues have been resilient and cash collections strong across the organisation. We demonstrated a robust operational response throughout the crisis, with no interruption to network operations or customer delivery and record service delivery times achieved. Employee health and safety was our top priority, as 1,700 staff across ANZ transitioned to working from home in less than a week."

"VNS built momentum in FY20, winning market share in our core markets with growing underlying recurring revenue and an improving customer profile. We also launched our new Vocus brand and saw a demonstrable improvement in brand recognition and consideration."

"VNS is well-positioned to capitalise on the unprecedented demand for bandwidth and diversity resulting from COVID-19. We had record sales in Q4 across all segments and RFP activity remains strong. Customers are not only looking to access our extensive fibre network and direct connection to Asia, they are looking for the speed and agility of service that Vocus provides, and our dedicated highly secure network is increasingly key. VNS goes into FY21 with accelerating momentum in our core markets."

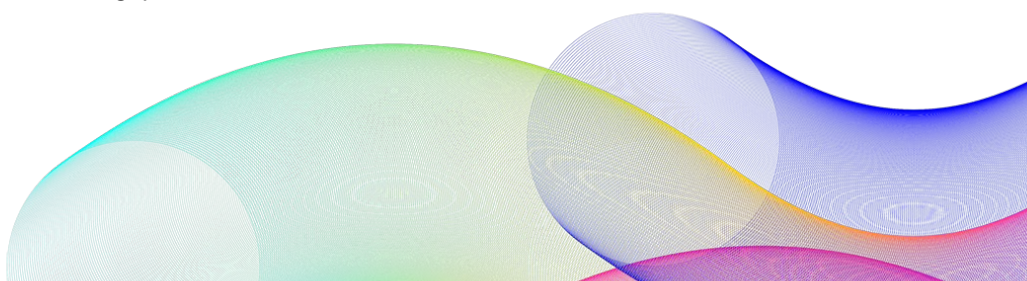
"New Zealand continued to deliver stable and consistent performance with its fifth consecutive year of organic EBITDA growth. Key highlights for the year were growth in Wholesale and continued increases in Consumer and SMB driven by broadband and energy customers, with the acquisition of Stuff Fibre increasing our broadband subscriber base by 10%."

"Retail reached a key point in the Consumer segment turnaround, with Revenue stabilising in H2 as the transition from legacy services to the NBN approached completion. Consumer has seen improving performance from the Dodo brand, with growing NBN margins and slowing churn. SMB continues to face strong headwinds as the legacy transition continues. SMB is expected to remain a challenging market environment for the foreseeable future due to COVID-19."

The accelerating momentum of the core VNS business, together with the strong performance of New Zealand and well-progressed turnaround of Retail Consumer, means we are now in a strong position to strategically consider our options regarding capital allocation and longer-term corporate structure. Further details will be provided at, or prior to, the half-year results announcement in February 2021.

### Business Performance

Vocus Network Services delivered EBITDA growth of 10% to \$223m, with recurring revenue up 6%. Revenue from high-margin data networks grew 3% for the full year, with NBN revenue up 42% year-on-year as Vocus took a leading position in key NBN product categories of Enterprise Ethernet and Business Satellite. Wholesale and international also contributed to underlying growth, with continued sales momentum of capacity on the Australia Singapore Cable.



New Zealand continued to deliver strong growth of 5% year-on-year and underlying EBITDA growth of 4%. New Zealand saw solid growth in the Wholesale business from new partners, together with increased bandwidth demands due to COVID-19. This was partially offset by a decline in the Enterprise segment with customer losses through the partner network. New Zealand Consumer & SMB benefitted from continued growth in broadband as well as energy and mobile growth through bundling with broadband.

Retail had an overall revenue decline of 9% year-on-year, with an improvement in Consumer revenue decline to -3% for the full year (up from -9% in FY19) and a stable H2. Small Business continues to feel the impact of the transition from legacy services with a -27% revenue decline. Disciplined cost control resulted in a 14% reduction of overheads year-on-year. Underlying EBITDA for the overall Retail business was down -22% to \$80.1m driven primarily by SMB declines and migration to the NBN.

In the normal course of preparing these financial statements, Vocus has assessed the carrying value of its intangible assets. The strong growth of the Vocus Network Services and New Zealand business units continues to support carrying values of intangible assets of \$781m and \$366m respectively. However, due to the uncertainty caused by COVID-19, the outlook for the Small to Medium Business sector will be more challenging for the foreseeable future. Consequently, the carrying value of intangible assets related to the Retail business unit, which operates our SMB unit, has been reduced from \$500m to \$298m.

### Outlook

Vocus provides FY21 guidance of:

#### Vocus Network Services

- Recurring revenue growth +5%
- Underlying EBITDA growth +8% - 12%

#### Vocus Group

- Underlying EBITDA - \$382m - \$397m<sup>1</sup>
- Capex range \$160m - \$180m
- Net leverage ratio continues to reduce

For further information, please contact:

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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.

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<sup>1</sup> Including the application of AASB-16 leases





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# FY20 Financial Results

19 August 2020

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# FY2020 – Strong operational execution and financial progress

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Strong and accelerating momentum in VNS recurring revenue and improving customer profile

VNS EBITDA +10%

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Australian Retail Consumer business stabilising with improving NBN margins

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New Zealand delivers 5<sup>th</sup> consecutive year of organic EBITDA growth, with inorganic opportunities emerging

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Excellent operational resilience through bushfires and COVID-19

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Clear progress on technology simplification

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Financial discipline

- Margin management
- Strong cost out
- Refinancing executed
- Guidance maintained and met



# Operating strongly through COVID-19

Employee health and safety our top priority

## Adjusted quickly to new environment

1700 people WFH across ANZ in under a week

No interruption to network operations or customer delivery

Offshore contact centres re-established WFH

Financial discipline

- Daily cash management
- Reprioritisation of capital spend
- Debt refinance
- Workforce restructure

eNPS 17 in July, up from 8 a year ago

## Exceptional response for customers

During March – service changes for over 400 customers

Assisted customers with temporary hardship / billing relief

Record service delivery times achieved, including customers of other carriers

Leveraged partnership with Zoom to enable customers to rapidly move to WFH

Immediately implemented NBN bandwidth uplift and rolled out Customer Assistance Framework

Acceleration of digital interaction and self serve



# Telco infrastructure and services essential through COVID-19



## Vocus Network Services

Cash collections strong

Strong sales in Q4 – RFP activity increased

Adjusted sales methodology to a virtual world, but longer decision timelines

Significant acceleration of market trends – see slide 5



## Retail

Cash collections strong

Increased demand for NBN broadband and higher speed tiers

SMB sales slowdown

Some anticipated bad debt challenges – yet to materialise



## New Zealand

Cash collections strong

Fundamental trends the same as Australia

Network traffic peak +40% in week one – equivalent to 12 months growth



# COVID-19 is accelerating change – and change will favour the challenger

## Macro market trends

Behavioural change is driving unprecedented demand for bandwidth and diversity

“By some estimates, response to the pandemic has fast-forwarded digital adoption by five years” *Gartner*

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Security is increasingly key

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Speed, agility and value expected

## VNS is positioned strongly to capitalise

Our strength is our ultra fast, low latency, transmission fibre network across Australia and into Asia

- Align product strategy with customer needs

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Security credentials

- Dedicated secure network
- Security cleared staff
- Partnerships with leading global security providers

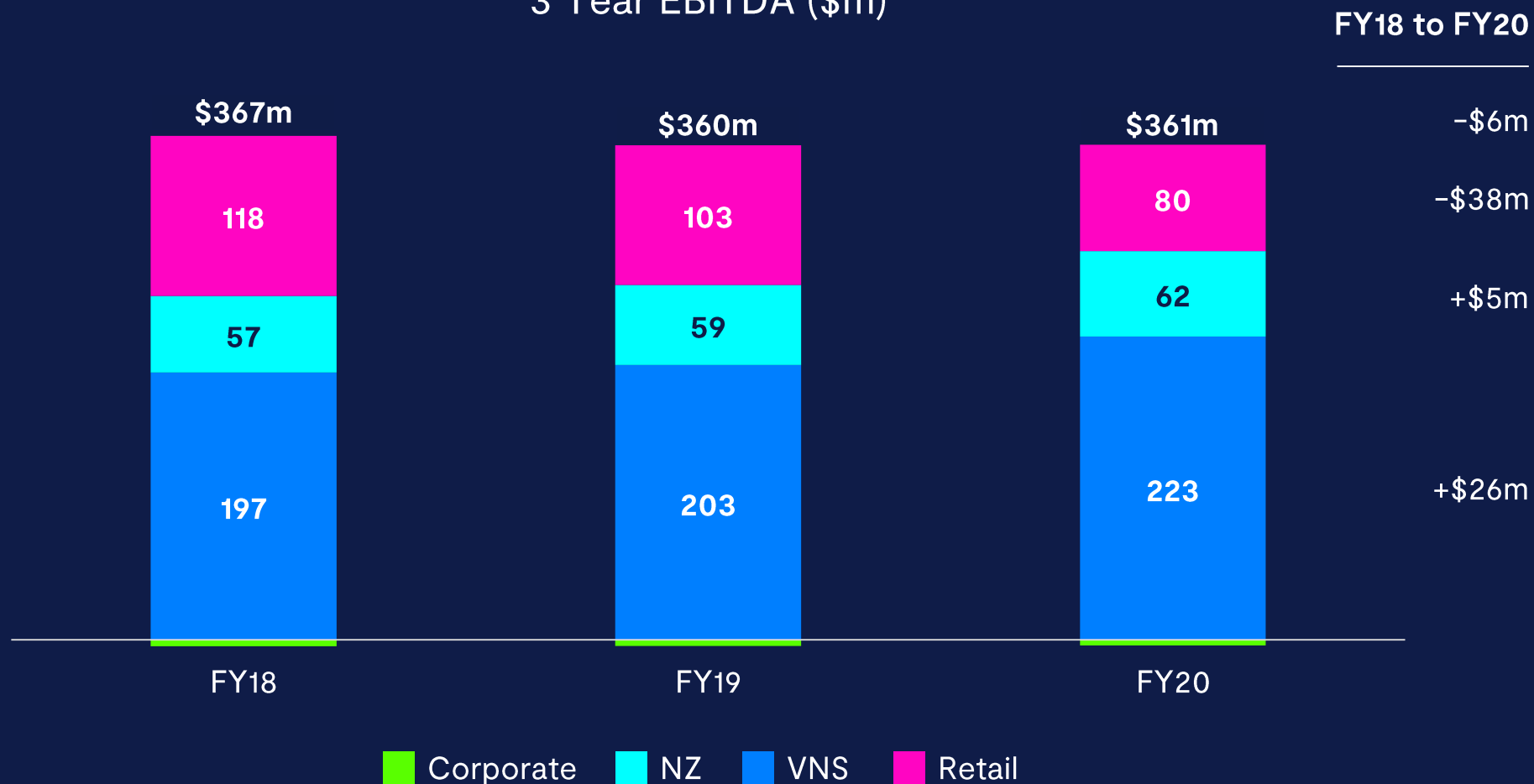
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Our culture and value proposition is differentiating

- Delivery resources on shore

# VNS established as core growth engine

3 Year EBITDA (\$m)





# Financial Results



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# Vocus Group P&L

\$m	FY20	FY19	% change
<b>Recurring revenue</b>	<b>1,752.6</b>	<b>1,772.6</b>	<b>(1%)</b>
Vocus Network Services	626.3	590.3	6%
New Zealand	378.3	356.2	6%
Retail	748.0	826.1	(9%)
Large Infrastructure Revenue	25.5	119.7	nm <sup>2</sup>
<b>Total revenue</b>	<b>1,778.2</b>	<b>1,892.3</b>	<b>(6%)</b>
Direct costs	(1,003.2)	(1,088.8)	(8%)
<b>Gross margin</b>	<b>775.0</b>	<b>803.5</b>	<b>(4%)</b>
Overheads	(414.5)	(443.4)	(7%)
<b>Underlying EBITDA</b>	<b>360.5</b>	<b>360.1</b>	<b>0%</b>
Underlying NPAT <sup>1</sup>	101.1	105.5	(4%)

Continued momentum in Vocus Network Services and New Zealand both delivering growth of 6% year-on-year in revenue

The Australian Retail business continues to improve as revenues in Consumer stabilise. H2 revenues declined 6% year-on-year compared to H1 at 12% decline

Large Infrastructure Revenue relates to the Coral Sea Cable infrastructure build which concluded in H1 resulting in lower revenues and direct costs year-on-year

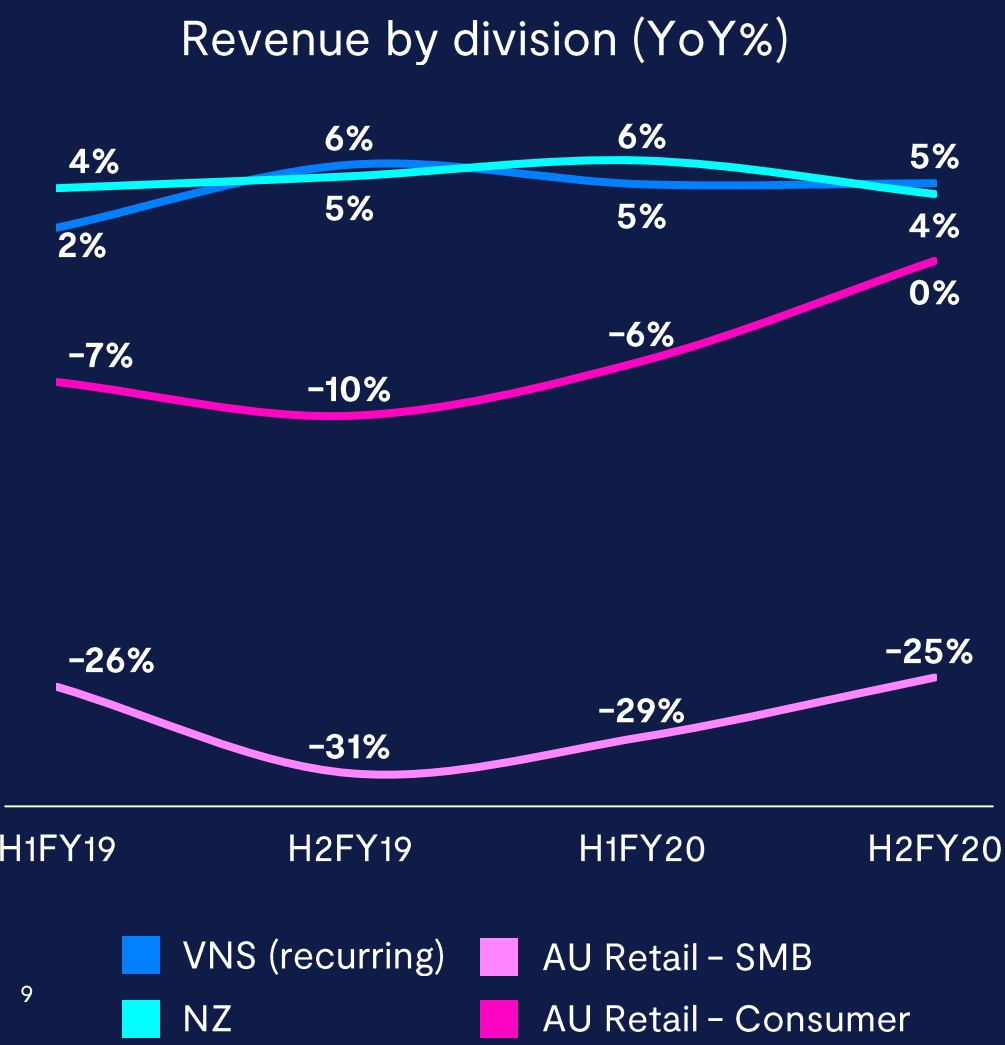
Gross margin declined 4% year-on-year driven by the conclusion of Coral Sea Cable build and \$50m margin reduction in the Australian Retail business

Disciplined overhead reductions, particularly in the Australian Retail business, has enabled a stable EBITDA result

8    1. Refer to OFR for a reconciliation from Underlying EBITDA to Underlying NPAT  
      2. Not meaningful



# Vocus has established three business units on a solid platform for growth



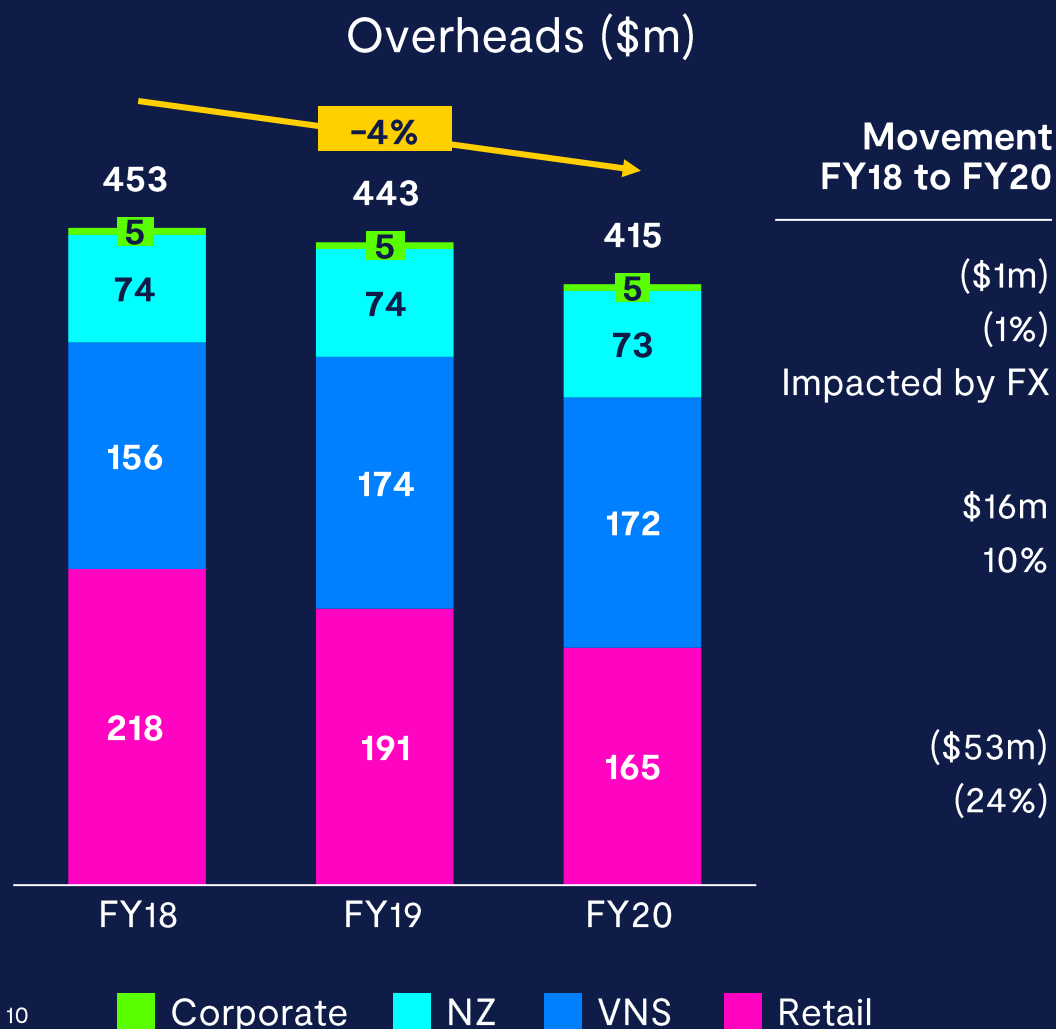
Strong momentum in Vocus Network Services and New Zealand

The Australia Consumer business has stabilised following the loss of majority of Legacy revenues in the last 24 months

The Australian SMB business continues to experience headwinds from declining Legacy Voice revenues and will continue to experience a challenging market environment during the current pandemic



# Disciplined overhead reduction has enabled Vocus to sustain EBITDA during the transition of AU Retail



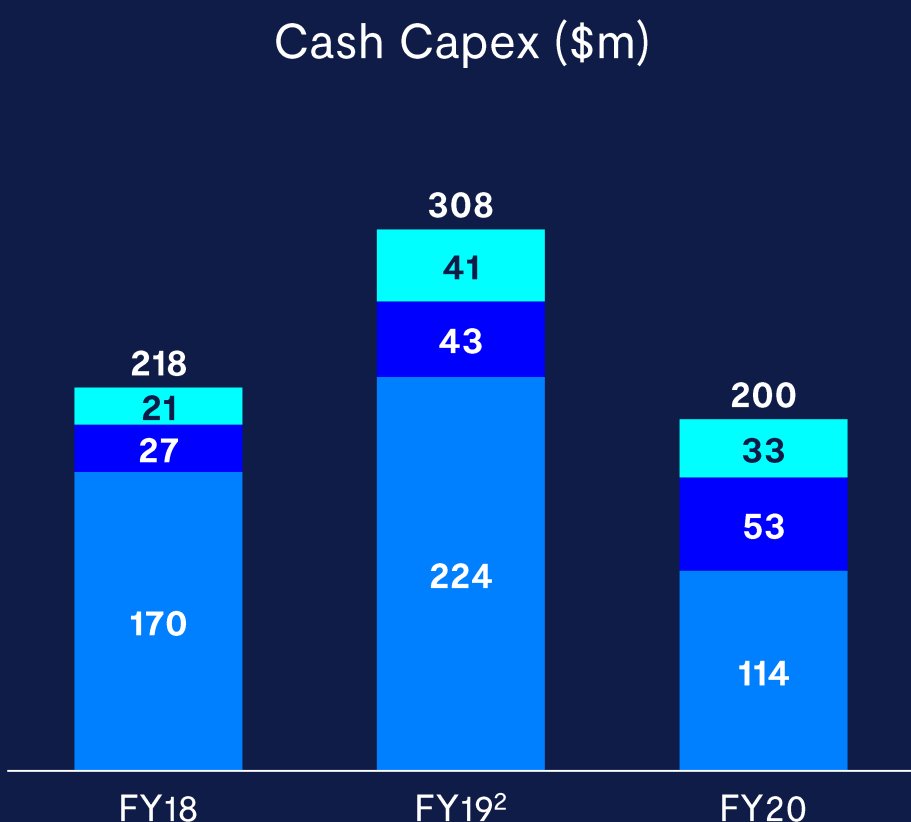
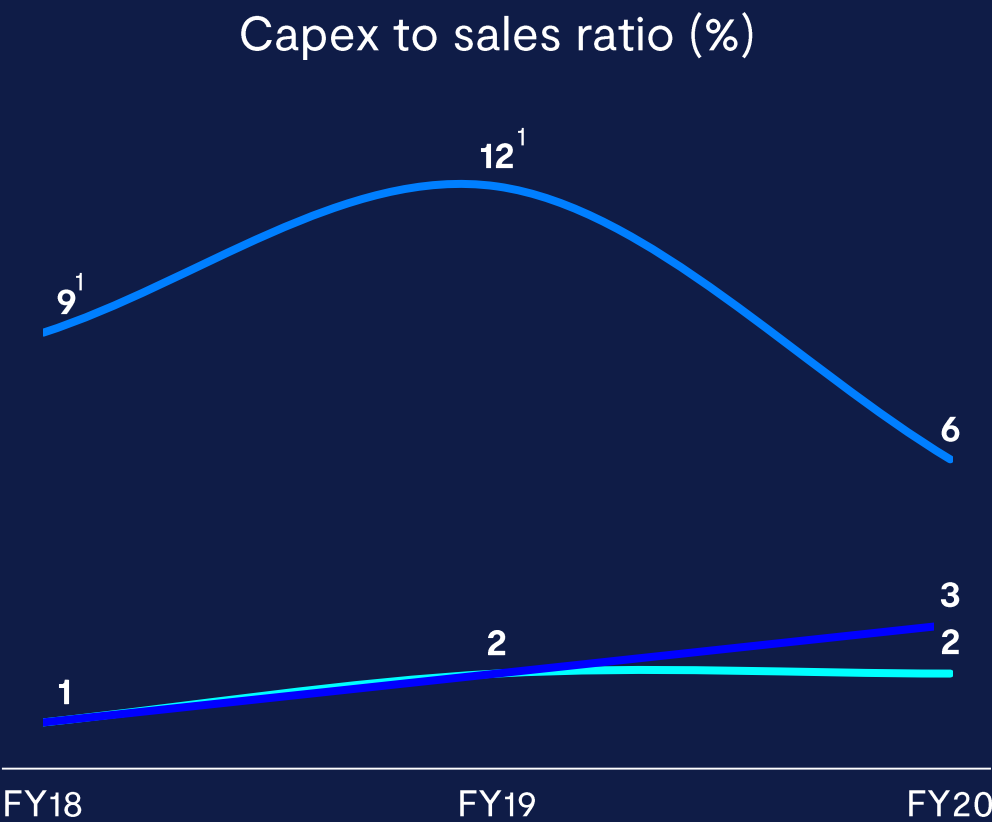
New Zealand in local currency has reduced overheads by 4% from FY18-20, whilst delivering consistent top-line growth

Vocus Network Services has invested in sales and product capability which will be vital in delivering the growth aspirations in Data Networks

The Australian Retail business is operating as a low-cost challenger in a reseller environment reducing absolute costs by a quarter



# Continue to invest in growth whilst modernising Vocus infrastructure



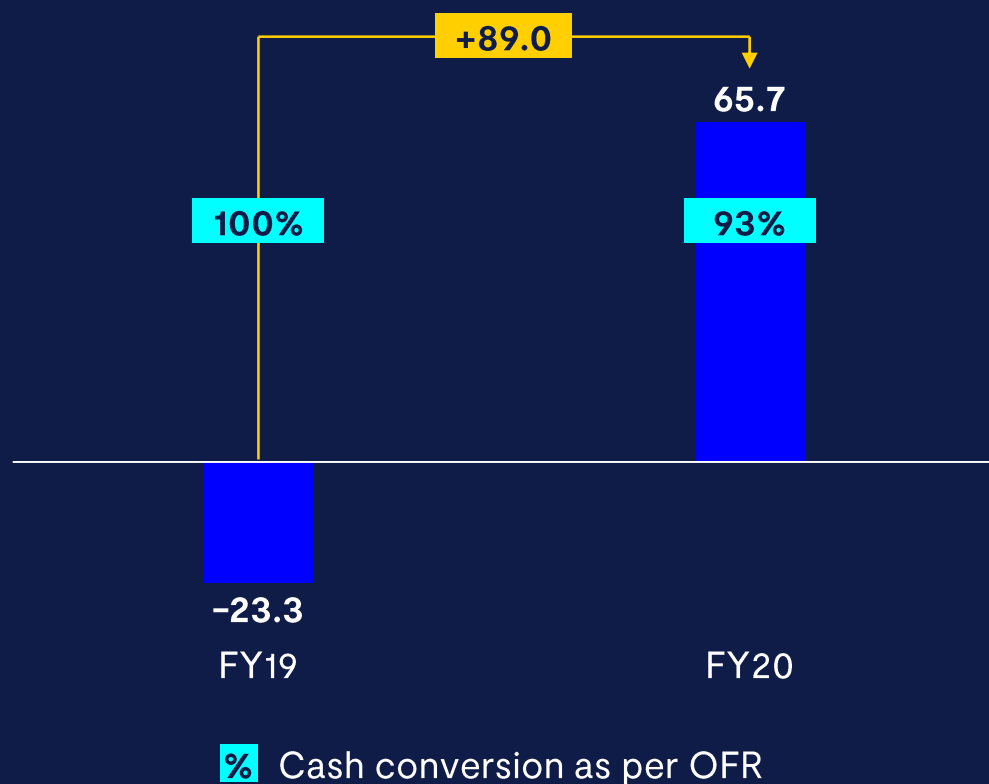
Growth Modernisation Maintenance

<sup>11</sup> <sup>1</sup> Includes \$52.5m and \$139.4m of ASC capex in FY18 and FY19 respectively  
<sup>2</sup> Excludes deferred consideration payments of \$12.8m and proceeds from sale of assets of \$1.3m

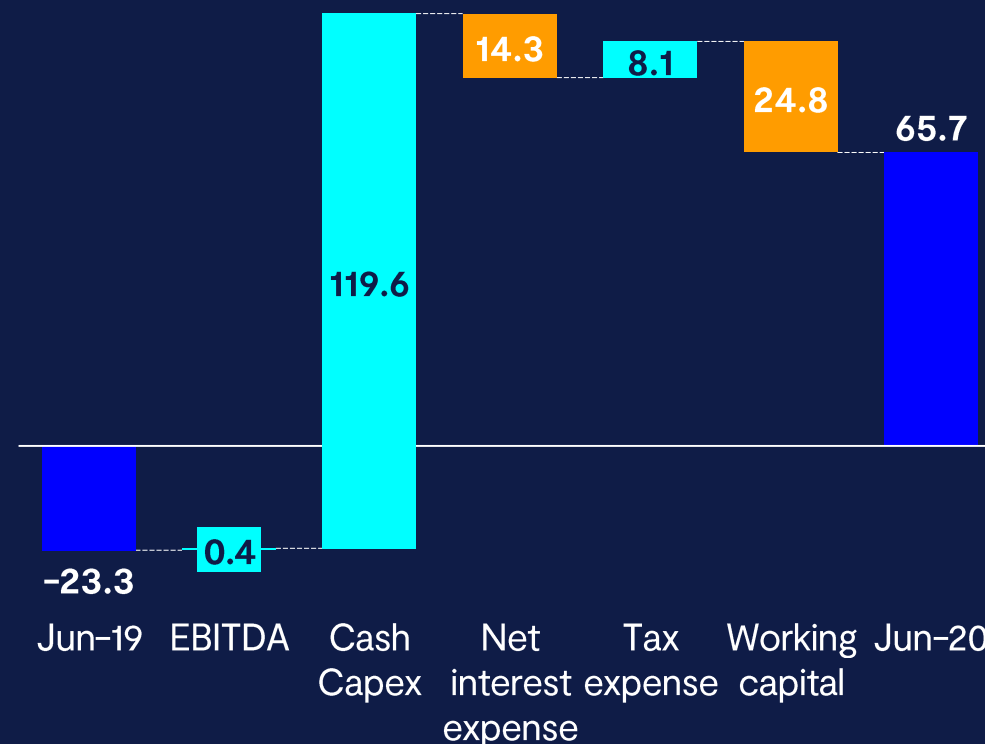


# Strong operating free cashflow and cash conversion in FY20

Operating free cashflow and cash conversion (\$m, %)

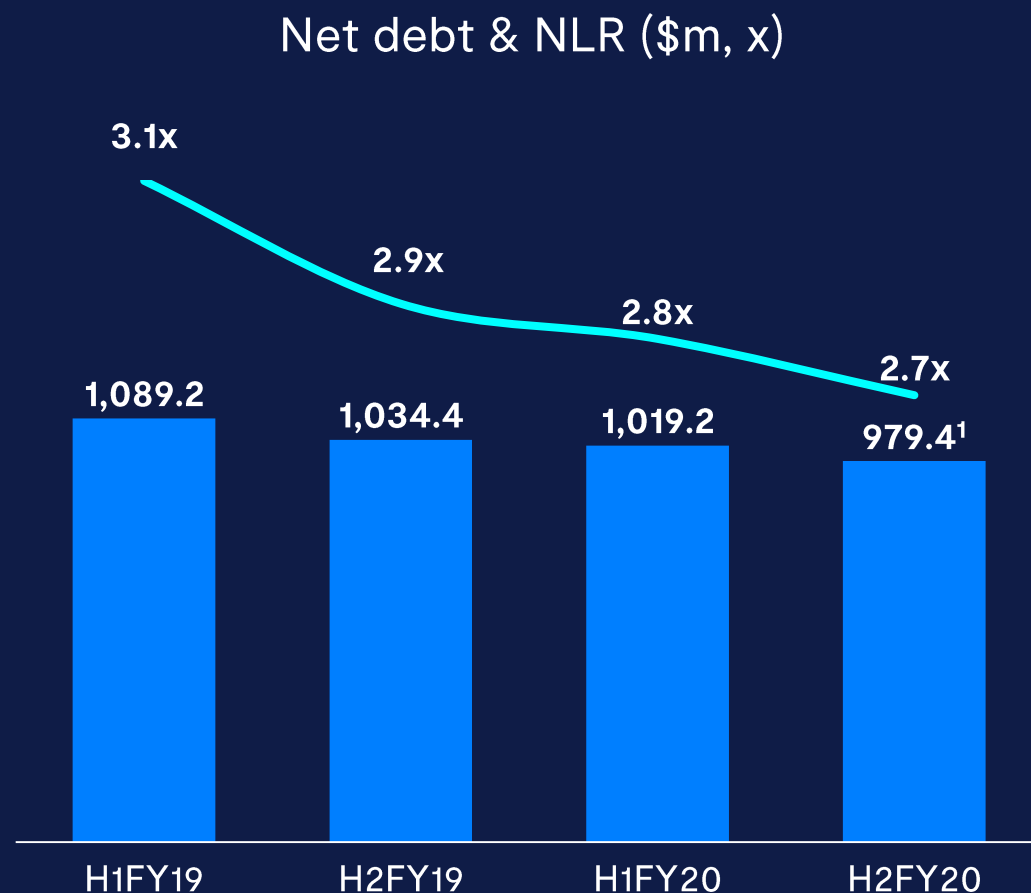


Operating free cashflow bridge (\$m)





# Vocus continues to de-lever



Following the peak of debt and net leverage ratio from the construction of the Australia Singapore Cable, strong cash generation has enabled repayment of debt

Leverage is expected to continue to reduce

# Vocus Network Services grew strongly

## Vocus Network Services P&L

\$m	FY20	FY19	% Change
<b>Recurring revenue</b>	<b>626.3</b>	<b>590.3</b>	<b>6%</b>
Data networks	408.9	396.7	3%
NBN	73.6	52.0	42%
Other	143.8	141.6	2%
Large Infrastructure Revenue	25.5	119.7	Nm <sup>1</sup>
<b>Total revenue</b>	<b>651.9</b>	<b>710.0</b>	<b>(8%)</b>
Direct costs*	(257.7)	(333.7)	(23%)
<b>Gross margin</b>	<b>394.2</b>	<b>376.3</b>	<b>5%</b>
Overheads*	(171.2)	(173.4)	(1%)
<b>Underlying EBITDA</b>	<b>222.9</b>	<b>202.8</b>	<b>10%</b>
Underlying EBITDA margin %	34%	28%	

Strong recurring revenue growth at 6% year-on-year in FY20

- High margin data networks grew 3% for the full year. In H2, data networks revenue was flat year-on-year due to the loss of VHA and short-term contract revenues which have been replaced in H2 by recurring revenue growth

NBN Wholesale revenue grew strongly through Retail partnerships

Gross margin for the year grew 5% year-on-year in FY20

- In H2, VNS grew 5% (H1 5%) excluding any margin from Coral Sea Cable build which demonstrates strong underlying growth in recurring revenues together with direct cost reductions

EBITDA grew 10% year-on-year from gross margin and overheads reduction

# New Zealand delivers another consistent year of growth

## New Zealand P&L

NZD \$m	FY20	FY19	% change
<b>Revenue</b>	<b>398.8</b>	<b>379.8</b>	<b>5%</b>
Enterprise & Wholesale	134.9	131.1	3%
Consumer & SMB	263.9	248.7	6%
Direct costs	(255.9)	(237.7)	8%
<b>Gross margin</b>	<b>142.9</b>	<b>142.1</b>	<b>1%</b>
Overheads	(77.4)	(79.2)	(2%)
<b>Underlying EBITDA</b>	<b>65.4</b>	<b>62.9</b>	<b>4%</b>
<b>Underlying EBITDA margin %</b>	<b>16%</b>	<b>16%</b>	

Revenue grew 5% year-on-year in FY20

- Strong growth within the Wholesale business from new partners together with increased bandwidth demands due to Covid-19. This was partially offset by decline in Enterprise customers
- Consumer & SMB seen continued growth in broadband as well as energy and mobile growth through bundling

Direct costs grew 8% from higher Energy and off-net sales mix, overall gross margin grew 1% in the year

Disciplined cost control resulted in a reduction of overheads year-on-year and overall EBITDA growth of 4% with stable EBITDA margin %

# Vocus Retail turnaround on track

## Vocus Retail P&L

\$m	FY20	FY19	% change
<b>Revenue</b>	<b>748.0</b>	<b>826.1</b>	<b>(9%)</b>
Consumer	589.8	609.6	(3%)
Business	116.0	159.4	(27%)
Other	42.2	57.1	(26%)
Direct costs*	(503.5)	(532.1)	(5%)
<b>Gross Margin</b>	<b>244.6</b>	<b>294.0</b>	<b>(17%)</b>
Overheads*	(164.5)	(191.1)	(14%)
<b>Underlying EBITDA</b>	<b>80.1</b>	<b>102.9</b>	<b>(22%)</b>
<b>Underlying EBITDA margin %</b>	<b>11%</b>	<b>12%</b>	

Revenue declined 9% year-on-year in FY20 (FY19 -15%)

- Consumer revenue decline improved to -3% (FY19 -9%) for the full year; has stabilised in H2
- Business continues to decline at -27% (FY19 -28%), from Legacy Voice as services being cancelled

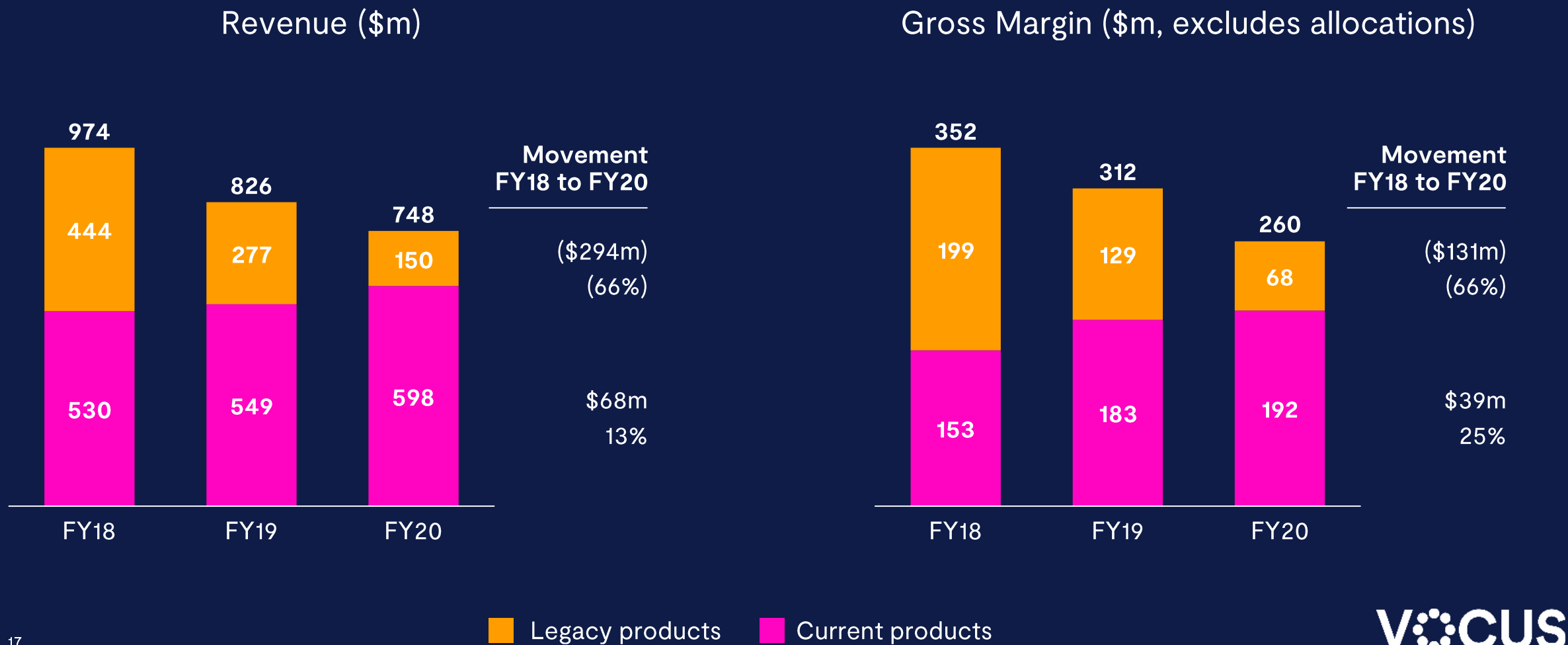
Direct costs declined 5% driven by lower voice cost of sales, associated legacy costs and lower broadband customers

Disciplined cost control resulted in a 14% reduction of overheads year-on-year

EBITDA reduction driven by Small Business revenues however, EBITDA margin of 11% maintained through cost discipline

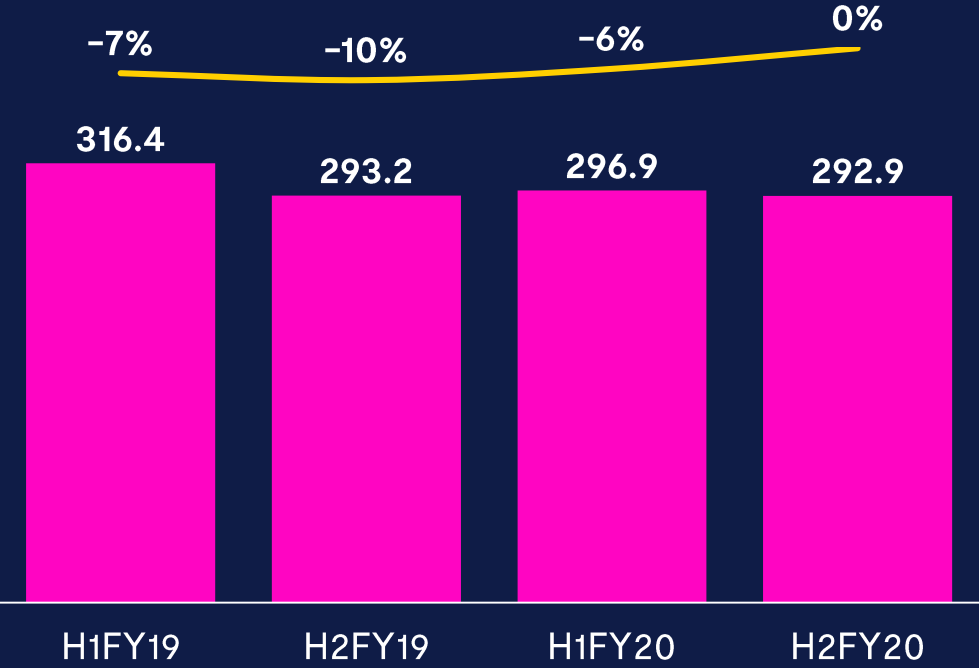


# Retail legacy erosion substantially complete by end of FY21

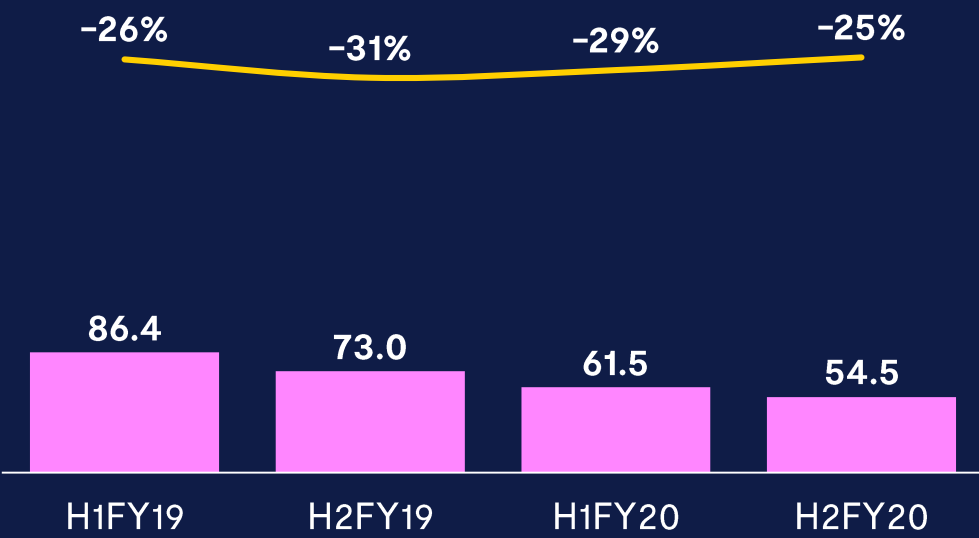


# Consumer Retail revenue stable in H2

Consumer (\$m, %YoY)



Business (\$m, %YoY)



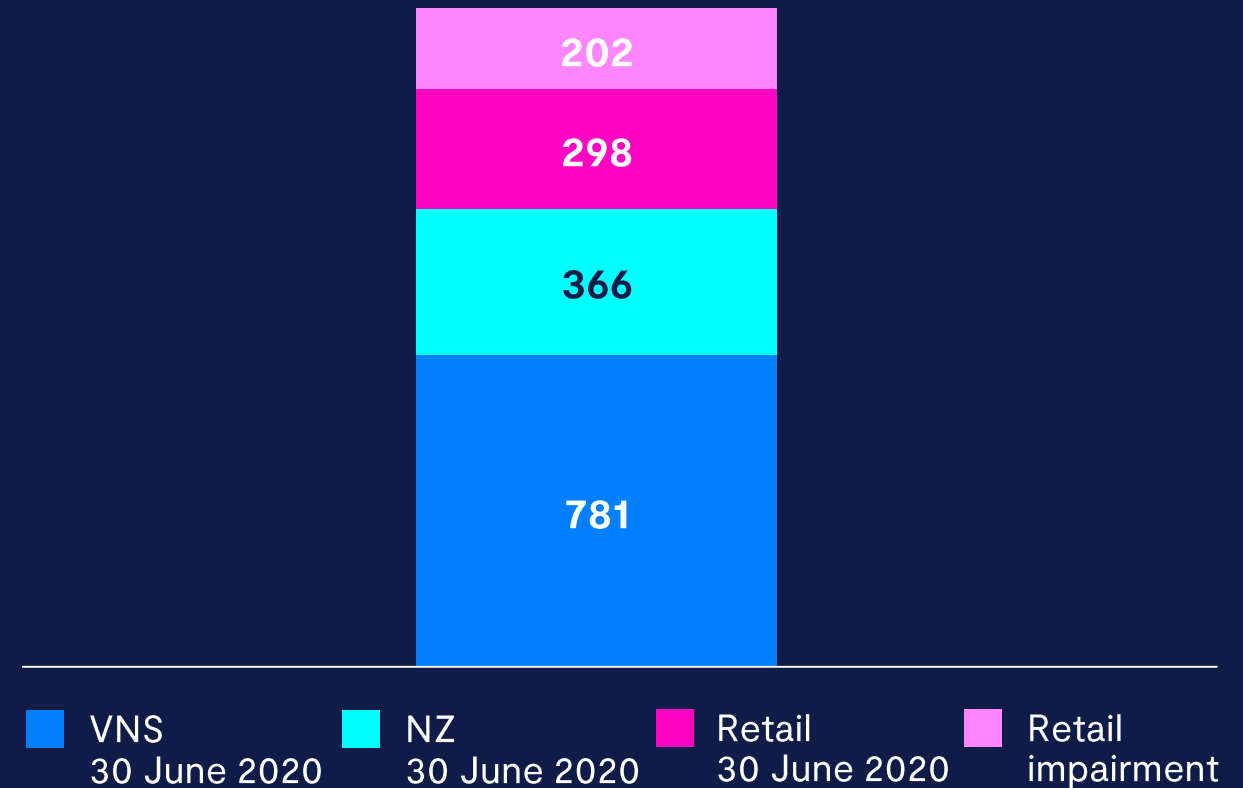
# At 30 June 2020, the value of assets has been robustly assessed

Vocus Network Services continues to support asset values, including goodwill of \$781m

New Zealand maintained goodwill and brand asset values at \$366m

Australian Retail outlook has been impacted from uncertainty caused by COVID-19, specifically the Small to Medium Business sector is expected to be challenging for the foreseeable future. Vocus has altered its strategy to invest in growth for a period of time in this segment, which has resulted in an impairment of goodwill and brands totalling \$202m

Intangible assets (\$m)





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# Outlook and guidance



# FY2021 – Our focus areas



Increasing momentum in market share gains in VNS



Future State focus on improving customer experience



Retail Consumer returning to growth



Retail Business – control margin erosion and potential bad debt



New Zealand – continued organic growth with acquisition opportunities



Financial discipline

- ROIC
- Cost out
- Cash management



Capital allocation strategic direction by Feb 2021

# FY21 Guidance

## Vocus Network Services

Recurring revenue growth +5%

Underlying EBITDA growth +8% to +12%

## Vocus Group

Underlying EBITDA<sup>1</sup> – \$382m to \$397m

Capex range – \$160m to \$180m

Net leverage ratio continues to reduce

# Key takeaways

1

FY20 a strong year of execution and financial progress

Three year turnaround firmly on track

2

VNS is winning market share and increasing momentum

VNS EBITDA growth 8% to 12% in FY21

3

COVID-19 is accelerating market trends with VNS and NZ in strong position to benefit

4

Retail Consumer set to return to growth, but Retail Business likely to be impacted by COVID-19

5

Legacy headwinds substantially complete by FY21

6

Capital allocation direction by Feb 2021



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# Questions?

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# Appendix

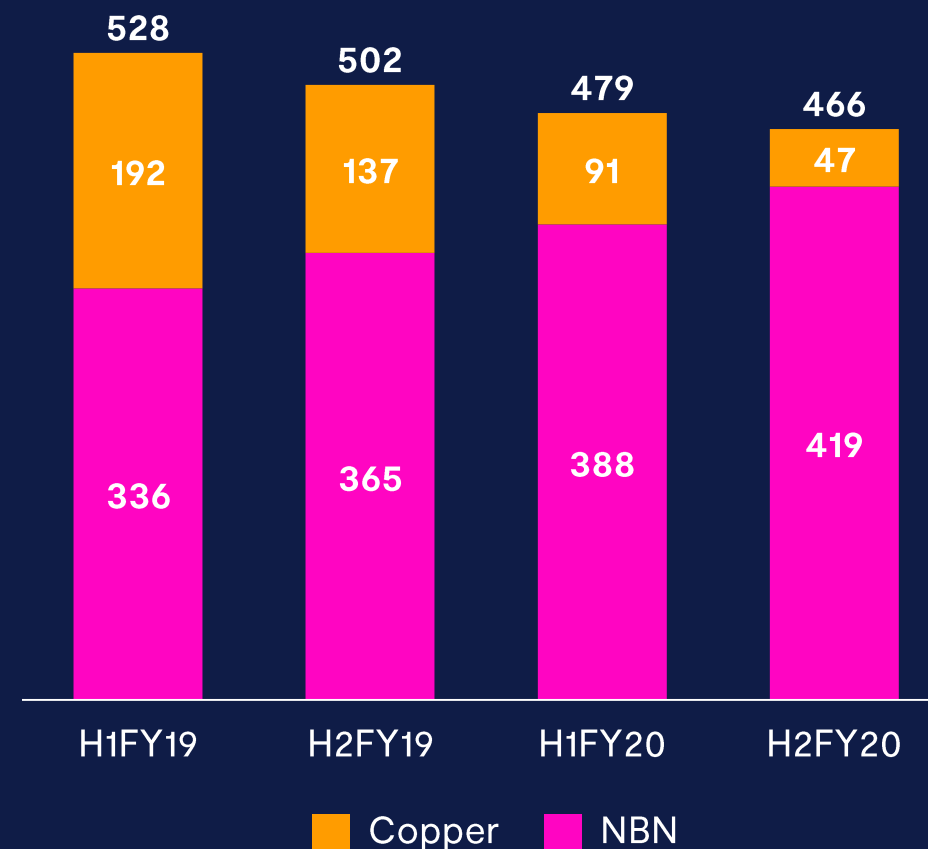




# Vocus Retail – key statistics

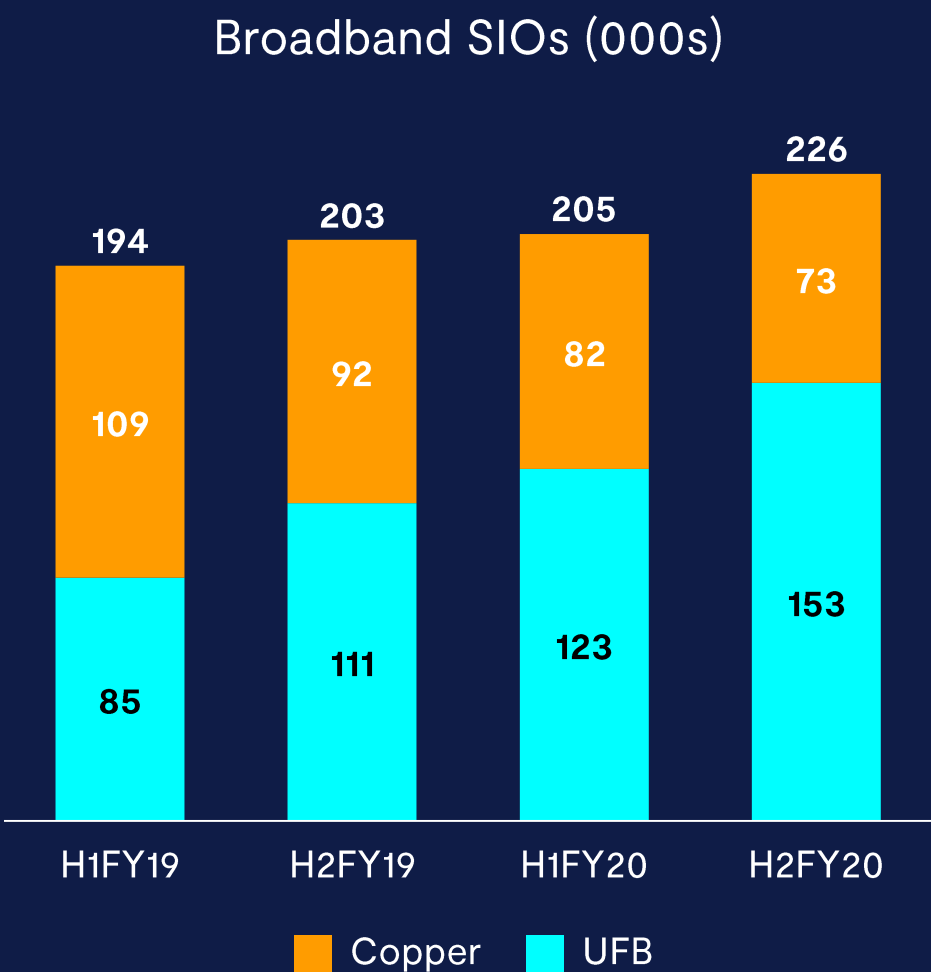
Metrics	H1 FY19	H2 FY19	H1 FY20	H2 FY20
Copper ARPU (\$)	\$58.0	\$56.3	\$55.4	\$54.3
Copper AMPU (\$)	\$26.0	\$25.0	\$23.9	\$22.5
NBN ARPU (\$)	\$64.1	\$64.0	\$66.4	\$66.6
NBN AMPU (\$)	\$21.1	\$21.3	\$21.9	\$23.6
Net Churn – Copper (%)	(3.2%)	(3.8%)	(4.1%)	(5.0%)
Net Churn – NBN (%)	(1.7%)	(1.8%)	(1.7%)	(1.5%)
NBN market share – Retail (excl. satellite)	7.0%	6.4%	5.9%	5.5%
Mobile SIOs (000s)	181	180	193	201
Energy SIO (000s)	134	132	132	138

Broadband SIOs (000s)



# New Zealand – key statistics

Metrics	H1 FY19	H2 FY19	H1 FY20	H2 FY20
Broadband ARPU (NZ\$)	69.80	71.61	73.22	71.91
Broadband AMPU (NZ\$)	27.20	28.02	28.74	26.07
Net churn rate copper broadband (%)	2.3%	2.3%	2.3%	2.2%
Net churn rate UFB (%)	1.7%	1.5%	1.8%	1.7%
Market Share UFB (%)	13%	14%	14%	15%
Energy SIOs (000s)	22	27	29	33
Mobile SIOs (000s)	26	29	39	41





The image features a dark blue background with several large, flowing, translucent shapes in shades of blue and teal. These shapes overlap and curve across the frame, creating a sense of movement and depth. In the center, the text "V&C US" is displayed in a clean, white, sans-serif font. The ampersand is stylized as a cluster of small white dots.

V&C US

V&C US