

Appendix 4D

Half-year report Half-year ended 31 December 2022

1. Results for announcement to the market

				\$A'000
Revenue and other income	Up	16%	to	172,525
Profit after tax attributable to members	Up	133%	to	8,537
Net profit for the period attributable to members	Up	133%	to	8,537

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	N/A	N/A
Previous corresponding period	N/A	N/A

Refer to commentary on review of operations in the Interim Financial Report attached.

2. Net tangible assets per security

	31 December 2022 A\$	31 December 2021 A\$
Net tangible asset backing per ordinary security	6.24	5.33

Net tangible assets includes the impact of the right of use assets and the corresponding lease liabilities accounted for under the requirements of AASB 16 Leases.

3. Dividends

No interim dividend has been declared.

4. Compliance statement

This report, and the interim financial report upon which the report is based, use the same accounting policies. A copy of the reviewed interim financial report is attached. The Appendix 4D is also to be read in conjunction with the annual financial report for the year ended 30 June 2022.

Interim Financial Report for the half-year ended 31 December 2022

Contents	Page
Directors' Report	3
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9
Directors' Declaration	15
Independent Auditor's Review Report	16
Auditor's Independence Declaration	18

Directors' Report

Your directors submit their report on the consolidated entity consisting of Macquarie Telecom Group Limited ("Group") and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The names of the company's directors in office during the half-year and until the date of this report are as below.

Name	Directorship
Peter James	Chairman
David Tudehope	Chief Executive
Aidan Tudehope	Managing Director Hosting
Anouk Darling	Non-Executive Director (Resigned 1 July 2022)
Bart Vogel	Non-Executive Director
Adelle Howse	Non-Executive Director
Lisa Brock	Non-Executive Director (Appointed 31 January 2023)

Review of Operations

The Group generated a net profit after tax of \$8.5 million for the half-year to 31 December 2022, compared to a net profit after tax of \$3.7 million for the half-year to 31 December 2021.

The Group's earnings before interest, tax, depreciation and amortisation (Group EBITDA) for the half-year was \$51.3 million, representing an increase of \$10.8 million or 26% compared to the prior comparable period.

Consolidated revenue from contracts with customers increased by 16% to \$172.5 million from \$149.3 million in the prior comparable period.

The Group's Cloud Services & Government business contributed revenue from contracts with customers of \$95.4 million, an increase of \$15.4 million or 19%, and EBITDA of \$25.8 million, an increase of \$2.8 million or 12%, compared to the prior comparable period.

The Group's Data Centre business contributed revenue from contracts with customers of \$31.7 million, an increase of \$10.7 million or 51%, and EBITDA of \$16.4 million, an increase of \$6.2 million or 61%, compared to the prior comparable period.

The Group's Telecom business contributed revenue from contracts with customers of \$59.8 million, a decrease of \$0.6 million or 1%, and EBITDA of \$9.3 million, an increase of \$2.0 million or 27%, compared to the prior comparable period.

The following tables summarise the revenue and EBITDA performance of the Group's reporting segments.

Revenue	Half-year ended 31 December 2022	Half-year ended 31 December 2021
	A\$ million	A\$ million
Cloud Services & Government	95.4	80.0
Data Centres	31.7	21.0
Telecom	59.8	60.4
Intersegment elimination	(14.4)	(12.1)
Consolidated revenue	172.5	149.3

Directors' Report (cont'd)

EBITDA	Half-year ended 31 December 2022	Half-year ended 31 December 2021
	A\$ million	A\$ million
Cloud Services & Government	25.8	23.0
Data Centres	16.4	10.2
Telecom	9.3	7.3
Segment EBITDA	51.5	40.5
Reconciliation of Segment EBITDA to profit before income tax		
Segment EBITDA	51.5	40.5
Net Interest expense	(6.2)	(3.7)
Net foreign exchange (gains)/losses	(0.3)	-
Depreciation and amortisation expense	(32.7)	(30.5)
Profit before income tax	12.3	6.3

Conversion of EBITDA to operating cash flows generated total operating cash flows of \$52.6 million during the half-year. In the prior comparable period, conversion of EBITDA to operating cash flows generated total operating cash flows of \$69.3 million, including the receipt of income tax refund of \$3.1 million and one-off receipt of \$28.6 million (including GST) from sale and lease back of IC3 east.

Cash and cash equivalents were \$21.4 million as at 31 December 2022, an increase of \$18.4 million during the half-year.

Auditor's Independence Declaration

Refer to page 18 for the independence declaration from our auditors, PricewaterhouseCoopers.

Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Legislative Instrument 2016/191. The company is an entity to which the Instrument applies.

Signed in accordance with a resolution of the directors.



David Tudhope
Director

Sydney, 21 February 2023

Consolidated Statement of Comprehensive Income For the half-year ended 31 December 2022

	Notes	Half-year ended 31 December 2022 \$A'000	Half-year ended 31 December 2021 \$A'000
Revenue and other income	3	172,525	149,308
Expenses	3	(153,987)	(139,279)
Results from operating activities		18,538	10,029
Finance income		144	17
Finance costs		(6,361)	(3,697)
Profit before income tax		12,321	6,349
Income tax expense		(3,784)	(2,680)
Profit after income tax for the half-year attributable to owners of the parent		8,537	3,669
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		115	26
Total comprehensive income for the half-year attributable to owners of the parent		8,652	3,695
		cents	cents
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share	6	39.7	17.1
Diluted earnings per share	6	39.3	16.9

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position As at 31 December 2022

	31 December 2022	30 June 2022
	\$A'000	\$A'000
<u>Current assets</u>		
Cash and cash equivalents	21,425	2,954
Trade and other receivables	10,267	12,963
Accrued income	17,145	15,631
Prepayments	15,784	18,701
Other current assets	1,711	1,794
Current tax receivable	7,610	9,946
Total current assets	73,942	61,989
<u>Non-current assets</u>		
Property, plant and equipment	265,310	257,357
Intangibles	21,006	24,563
Right-of-use assets	120,446	120,546
Prepayments	15,701	6,074
Other non-current assets	1,441	2,045
Total non-current assets	423,904	410,585
Total assets	497,846	472,574
<u>Current liabilities</u>		
Trade and other payables	46,550	40,800
Provisions	7,159	7,176
Lease liabilities	5,430	5,160
Other current liabilities	4,589	8,445
Total current liabilities	63,728	61,581
<u>Non-current liabilities</u>		
Trade and other payables	5,328	-
Provisions	5,600	5,485
Lease liabilities	121,804	120,666
Borrowings	131,000	126,000
Deferred tax liability	12,257	11,199
Other non-current liabilities	2,912	1,961
Total non-current liabilities	278,901	265,311
Total liabilities	342,629	326,892
Net assets	155,217	145,682
<u>Equity</u>		
Contributed equity	45,159	45,159
Reserves	6,434	5,436
Retained profits	103,624	95,087
Total equity	155,217	145,682

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity For the half-year ended 31 December 2022

	Contributed Equity	Other Equity	Reserves	Retained Earnings	Total
	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000
Balance at 1 July 2021	44,612	-	5,137	86,631	136,380
Profit for the period	-	-	-	3,669	3,669
Other comprehensive income	-	-	26	-	26
Total comprehensive income for the year	-	-	26	3,669	3,695
<u>Transactions with owners in their capacity as owners:</u>					
Share based payment	-	-	2,231	-	2,231
Total	-	-	2,231	-	2,231
Balance at 31 December 2021	44,612	-	7,394	90,300	142,306
	Contributed Equity	Other Equity	Reserves	Retained Earnings	Total
	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000
Balance at 1 July 2022	45,159	-	5,436	95,087	145,682
Profit for the period	-	-	-	8,537	8,537
Other comprehensive income	-	-	115	-	115
Total comprehensive income for the year	-	-	115	8,537	8,652
<u>Transactions with owners in their capacity as owners:</u>					
Share based payment	-	-	883	-	883
Total	-	-	883	-	883
Balance at 31 December 2022	45,159	-	6,434	103,624	155,217

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows For the half-year ended 31 December 2022

	Half-year ended 31 December 2022	Half-year ended 31 December 2021
	\$A'000	\$A'000
<u>Cash flows from operating activities</u>		
Receipts from customers ¹	188,376	193,146
Payments to suppliers and employees	(135,941)	(126,969)
Interest received	144	17
Income tax received/(paid)	-	3,062
Net cash flows from operating activities	52,579	69,256
<u>Cash flows used in investing activities</u>		
Acquisition of non-current assets		
Property, plant & equipment	(28,407)	(71,505)
Intangible assets	(4,832)	(8,754)
Net cash flows used in investing activities	(33,239)	(80,259)
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	14,000	32,000
Repayments of borrowings	(9,000)	(17,000)
Principal elements of lease payments	(2,408)	(2,318)
Interest and other finance costs	(3,461)	(3,052)
Net cash flows from financing activities	(869)	9,630
Net increase / (decrease) in cash held	18,471	(1,373)
Cash and cash equivalents at the beginning of the half-year	2,954	19,806
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the period	21,425	18,433

¹ Receipts from customers in the prior period includes a \$28,608,000 (including GST) receipt from an external party resulting from the completion of a data centre in the Macquarie Park Campus. These amounts have not been recognised in revenue or expenses for the current or prior periods.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements For the half-year ended 31 December 2022

1. Corporate Information

Macquarie Telecom Group Limited is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the ASX (ASX Code: MAQ).

2. Summary of Significant Accounting Policies

(a) Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Macquarie Telecom Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period.

(b) New accounting standards, amendments and interpretations

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(c) Significant accounting judgements, estimates and assumptions

In preparing the financial report, the Group is required to make estimates and assumptions about the carrying values of assets and liabilities. The key estimates and accounting judgements for the Group relate to (i) the determination of the lease terms (ii) revenue from contracts with customers (iii) the estimation uncertainty associated with determining the recoverable amount of non-current assets and (iv) Estimated Credit Losses ("ECL") and recoverability of receivables. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Lease terms

Judgement is exercised in determining whether there is reasonable certainty that an option to extend or terminate the lease will be exercised, when identifying the lease term. Factors considered at the lease commencement date include the importance of the asset to the Group's operations; comparison to prevailing market rates; incurrence of significant penalties and existence of significant leasehold improvements. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Notes to the Consolidated Financial Statements For the half-year ended 31 December 2022

2. Summary of Significant Accounting Policies (con't)

(c) Significant accounting judgements, estimates and assumptions (con't)

Revenue from contracts with customers

The application of the various accounting principles in AASB 15 related to the measurement and recognition of revenue, requires the Group to make judgements and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting treatment, including whether promised goods and services specified in an arrangement are distinct performance obligations.

Recoverable amount of non-current assets

The major sources of estimation uncertainty in assessing the recoverable amount of non-current assets are judgements relating to future sales order growth and pricing and the utilisation of data centre capacity, the Group's ability to manage operating and capital expenditure and the cost of capital. Should the future performance of the Group differ from these estimations. The assessment of the recoverable amount of non-current assets would be different and may impact the impairment testing results.

ECL and recoverability of receivables

Giving consideration to best available information at the reporting date including our understanding of our business as a provider of essential services, macroeconomic factors, customer credit quality, any changes in credit recoveries at the reporting date, and improvements to debt recovery processes; the Group's ECL methodology, credit risk thresholds and definitions of default are materially consistent with prior periods.

Industry risk assessments have been applied to customer accounts receivable noting patterns of slower payments which may indicate higher risk to recovery of receivables. Independent industry reports provided guidance to apply specific loss rates to industries in which our customers operate.

Given industry guidance on the likelihood of slower payment patterns, a focus on customer accounts receivable processes and terms has resulted in improved credit recoveries during the financial period. There has been no material impact to recovery patterns, and any increases to provisions have been applied in accordance with generally acceptable accounting principles.

Notes to the Consolidated Financial Statements For the half-year ended 31 December 2022

3. Revenue and expenses

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Group:

	Half-year ended 31 December 2022	Half-year ended 31 December 2021
	\$A'000	\$A'000
Revenues and other income		
Revenue from contracts with customers	172,457	149,308
Other income	68	-
Total revenue and other income	172,525	149,308
Expenses		
Employment costs	45,958	44,882
Carrier costs	41,576	41,455
Net foreign exchange (gains)/losses	235	207
Other expenses	33,480	22,227
Depreciation and amortisation	32,738	30,508
Total expenses	153,987	139,279

4. Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the half-year to 31 December 2022 is 30.7% (2021: 42.2%).

5. Dividends

No dividends were paid during the reporting period or declared subsequent to reporting period end.

Notes to the Consolidated Financial Statements For the half-year ended 31 December 2022

6. Earnings per share

Details of basic and diluted earnings per share are as follows:

	Half-year ended 31 December 2022	Half-year ended 31 December 2021
	cents	cents
Basic earnings per share	39.7	17.1
Diluted earnings per share	39.3	16.9
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	21,497,277	21,497,277
Effect of dilutive securities: Share performance rights	212,718	212,718
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	21,709,995	21,709,995
	\$A'000	\$A'000
Profit used in calculating basic and diluted earnings per share	8,537	3,669

Notes to the Consolidated Financial Statements For the half-year ended 31 December 2022

7. Share performance rights

On 30 October 2022, the company granted 58,450 equity share performance rights (2021: 54,850 including cash settled rights) which have a vesting date of 1 March 2026, to executives and senior managers as part of their long-term incentives. The performance conditions are linked to total shareholder return (TSR) and customer satisfaction based on Net Promoter Score (NPS). The performance rights were valued using Monte Carlo Simulation model which considered key assumptions of price volatility and dividend yield. The average fair value at grant date of each right was \$20.72 equating to a total of \$1,211,084. The total number of outstanding performance rights is 293,000 (2021: 363,000) valued at \$6,558,947 (2021: \$5,720,728) as measured at their grant date, amortised over the period to the vesting date. The amount of performance rights amortisation expense for the period was \$953,130 (2021: \$1,269,954).

Set out below are summaries of performance rights granted and cancelled under the plan:

	Half-year ended 31 December 2022	Half-year ended 31 December 2021
At 1 July	235,900	308,150
Granted during the period	58,450	54,850
Cancelled during the period	(1,350)	-
At 31 December	293,000	363,000
Exercisable	-	96,000

Performance rights outstanding at 31 December 2022 have the following performance period and vesting date:

Grant Date	Performance period	Vesting date	Performance rights 31 December 2022	Performance rights 31 December 2021
30 October 2018	30 June 2020	31 December 2021	-	32,001
30 October 2018	30 June 2021	31 December 2021	-	63,999
13 December 2019	1 September 2021	1 March 2023	32,000	43,333
13 December 2019	1 September 2022	1 March 2023	84,000	86,667
10 November 2020	1 September 2022	1 March 2024	27,500	26,670
10 November 2020	1 September 2023	1 March 2024	45,000	53,330
24 June 2021	1 September 2022	1 March 2024	-	717
24 June 2021	1 September 2023	1 March 2024	-	1,433
01 December 2021	1 September 2024	1 March 2025	46,050	54,850
30 October 2022	1 September 2025	1 March 2026	58,450	-
			293,000	363,000

Notes to the Consolidated Financial Statements For the half-year ended 31 December 2022

8. Segment reporting

	Telecom		Cloud Services & Government		Data Centres		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000
Revenue								
External revenue	59,731	60,436	94,341	79,081	18,385	9,791	172,457	149,308
Inter-segment revenue	-	-	1,092	870	13,294	11,190	14,386	12,060
Other income	68	-	-	-	-	-	68	-
Total segment revenue and other income	59,799	60,436	95,433	79,951	31,679	20,981	186,911	161,368
Inter-segment elimination	-	-	(1,092)	(870)	(13,294)	(11,190)	(14,386)	(12,060)
Total consolidated revenue and other income	59,799	60,436	94,341	79,081	18,385	9,791	172,525	149,308
Results								
Segment EBITDA	9,340	7,343	25,777	22,982	16,376	10,212	51,493	40,537
Depreciation and amortisation	(8,819)	(9,867)	(12,352)	(11,934)	(11,567)	(8,707)	(32,738)	(30,508)
Segment results before interest and tax	521	(2,524)	13,425	11,048	4,809	1,505	18,755	10,029
Finance income							144	17
Finance costs							(6,361)	(3,697)
Net foreign exchange gains / (losses)							(217)	-
Consolidated entity profit from ordinary activities before income tax expense							12,321	6,349
Income tax expense							(3,784)	(2,680)
Net Profit							8,537	3,669
Acquisition of non-current assets								
Allocated acquisitions	3,890	5,060	12,912	14,200	15,507	46,249	32,309	65,509
Unallocated acquisitions	-	-	-	-	-	-	930	3,428
Total acquisition of non-current assets	3,890	5,060	12,912	14,200	15,507	46,249	33,239	68,937

Prior period figures have been revised for comparability following changes in approach in the current period.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that Macquarie Telecom Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.



David Tudehope
Director

Sydney, 21 February 2023



Independent auditor's review report to the members of Macquarie Telecom Group Limited

Report on the interim financial report

Conclusion

We have reviewed the interim financial report of Macquarie Telecom Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim financial report of Macquarie Telecom Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers
PricewaterhouseCoopers

S.T. Maher
Shannon Maher
Partner

Sydney
21 February 2023



Auditor's Independence Declaration

As lead auditor for the review of Macquarie Telecom Group Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Macquarie Telecom Group Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'S.T. Maher'.

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
21 February 2023