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## Interim Result Presentation

23 February 2015

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Geoff Horth, CEO

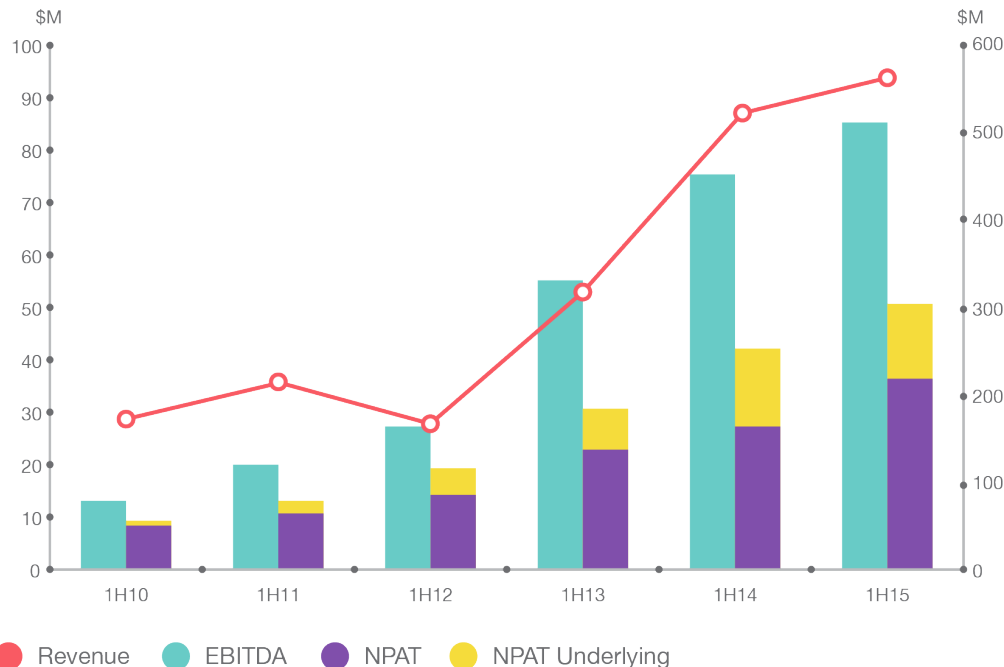
# Presentation Content

-  The Numbers
-  Continued Organic Growth
-  Outlook



# The Numbers

# Organic Growth Driving Results



## Financial performance driven solely by organic growth, not acquisition

1) Underlying NPAT includes an add-back of a non-cash cost of \$12.1 million for amortisation for the half (\$12.9 million in the previous corresponding period) associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards)

Revenue up 8% to  
**\$546.2 million**

EBITDA up 14% to  
**\$86.1 million**

NPAT up 25% to  
**\$38.5 million**

NPAT (underlying) up 16% to  
**\$50.6 million**

Compared to previous corresponding period



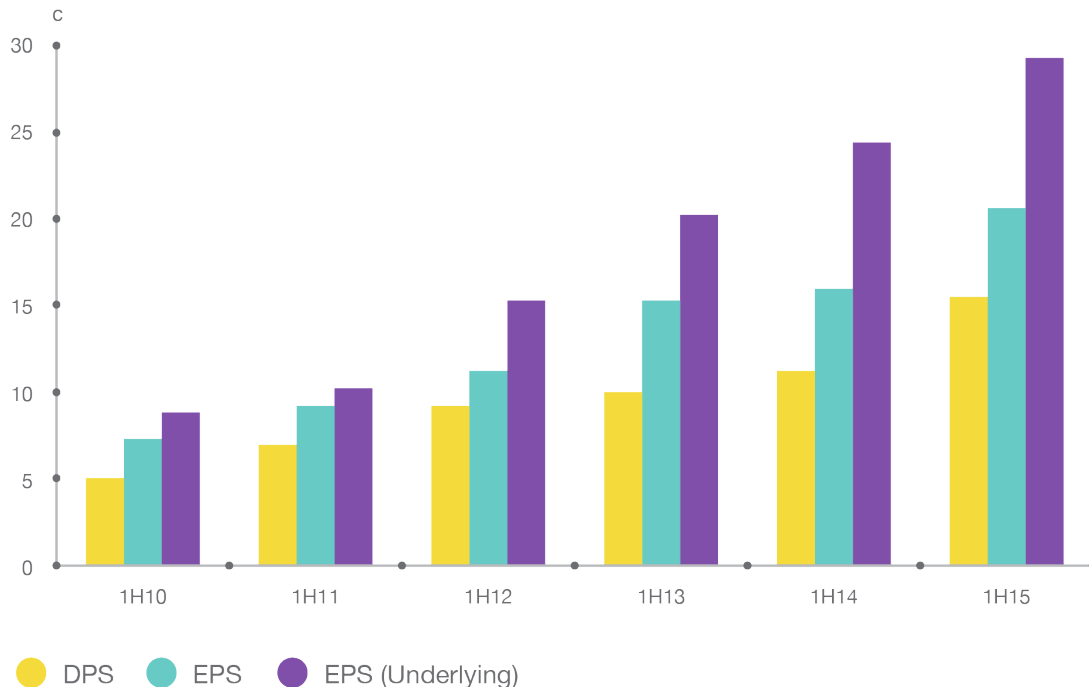


# Scale & Efficiency Driving EBITDA Growth



\* Outsourcing costs include a \$2.6 million increase in sales resources

# Interim Dividend Up 30%



1) Underlying EPS includes an add-back of a non-cash cost of \$12.1 million for amortisation for the half (\$12.9 million in the previous corresponding period) associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards)

Fully franked interim dividend  
**15 cents per share**

Earnings per share up  
**23% to 21.2 cents**

Underlying earnings per share up  
**13% to 27.8 cents**

**\$27.3 million** returned to  
**shareholders** this dividend

Compared to previous corresponding period



# Balance Sheet

(\$M)	31 December 2014	30 June 2014
Cash at Bank	44.9	41.0
Other Current Assets	141.2	129.2
Goodwill / Intangibles	588.0	599.8
Other Non-Current Assets	92.0	91.8
<b>TOTAL ASSETS</b>	<b>866.1</b>	<b>861.8</b>
Borrowings (Current)	1.8	30.8
Other Current Liabilities	199.3	201.0
Borrowings (Non-Current)	278.0	264.6
Other Non-Current Liabilities	30.4	32.6
<b>TOTAL LIABILITIES</b>	<b>509.5</b>	<b>529.1</b>
<b>NET ASSETS</b>	<b>356.6</b>	<b>332.7</b>
<b>NET DEBT*</b>	<b>234.9</b>	<b>254.5</b>

➔ Net Tangible Assets increased by \$35.7 million

\*Net Debt includes other financial loans

# Cash Flow

\$M	31 December 2014	31 December 2013
<b>EBITDA</b>	86.1	75.8
Less: Interest & Tax	(24.4)	(22.2)
Working Capital movement	(9.9)	(31.0)
<b>Cash from operating activities</b>	<b>51.7</b>	<b>22.6</b>
CAPEX	(13.9)	(9.7)
<b>Free Cash</b>	<b>37.8</b>	<b>12.9</b>
Repayment of borrowings	(15.8)	(15.9)
Dividends (net of DRP)	(19.5)	(13.4)
Other	1.4	(9.4)
<b>Net Cash Movement</b>	<b>3.9</b>	<b>(25.9)</b>
<b>Cash at beginning</b>	<b>41.0</b>	<b>48.0</b>
<b>Cash at end</b>	<b>44.9</b>	<b>22.1</b>

Total Working Capital Movement (\$M)	31 December 2014	31 December 2013
Deferred Commission Liability	2.3	20.1
Pendo receivables & inventory	4.5	8.3
Other (net)	3.1	2.6
<b>Total</b>	<b>9.9</b>	<b>31.0</b>

- Material improvement in Working Capital movement
- Strong cash balance
- Pendo customer payments will be received in H2 FY15
- Capex in line with expectations at 2.5% of revenue

# Financial Highlights

- Record results with increases in revenue, EBITDA, NPAT and EPS
- Focus on efficiency and leveraging scale ensures earnings growth exceeds revenue growth
- Strong cash conversion
- Balance sheet strengthened, Net Current Assets improved by \$46.6 million
- Record interim dividend of 15 cents, **up 30%** on previous corresponding period





# Continued Organic Growth

# Continued Growth in Services In Operation

SIO ('000s)	31 Dec 14	30 Jun 14	Net Change
Fixed Voice	796	773	23
Mobile	223	225	(2)
Broadband	508	482	26
Energy	107	93	14
<b>Total</b>	<b>1,634</b>	<b>1,573</b>	<b>61</b>

➔ 3.7% organic growth in Services In Operation in 1H15

Excludes pre-paid services. SIO: Services in operation ARPU: Average revenue per unit, per month

# Diversified Services Portfolio

At 31 Dec 14	Consumer		Business		Wholesale		Total	
	SIO	ARPU	SIO	ARPU	SIO	ARPU	SIO	ARPU
	'000s	\$	'000s	\$	'000s	\$	'000s	\$
Fixed Voice	384	40	273	71	139	44	796	51
Mobile	178	35	37	37	7	26	223	35
Broadband	437	43	46	61	25	54	508	45
Energy	106	110	1	314	-	-	107	111
<b>Total SIO/Av. ARPU</b>	<b>1,105</b>	<b>47</b>	<b>358</b>	<b>66</b>	<b>172</b>	<b>44</b>	<b>1,634</b>	<b>51</b>
ARPU FY14		46		67		44		50

 Holding ARPU while sustaining organic growth

Excludes pre-paid services. SIO: Services in operation ARPU: Average revenue per unit, per month



# Growth Insights

- Strong growth in the Consumer segment continues, with 57,000 additional services added in the half
- Business segment maintains the growth momentum achieved in H2 FY14
- High percentage of new customers bundling broadband with fixed line in both Consumer segment, at 91%, and the Business segment, at 86%
- High proportion of new broadband customers selecting fixed term agreements of 24 months or more, at 93% in the Business segment and 95% in the Consumer segment
- Energy services continue strong growth - an important contributor to overall growth strategy
- Connected to a further 6 NBN Points of Interconnect, now totalling 44, and continued targeted, direct marketing

# Commander Electricity gaining traction

- ➔ Soft launched in March 2014
- ➔ More than 1,200 subscribers at 31 December 2014
- ➔ High ARPU at \$314/month
- ➔ Sales achieved without dedicated cross-sell into existing customer base
- ➔ Business energy offer driving competitive advantage and increasing product penetration
- ➔ Full launch of product to all channels in February 2015

**ONLY COMMANDER  
DISCOUNTS YOUR  
BUSINESS PHONES  
AND ELECTRICITY!**

Business Phone & Electricity Bundle

**20%  
OFF**  
Phone Plan  
Costs\*

+

**20%  
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SAVES BUSINESS

\*Discount applies only when both services are active with Commander and bills are paid on time. Phone discount on selected business phone monthly access fees, excludes usage charges. Excludes certain locations and meter configs. Energy price fact sheets available at [www.commander.com/pfs](http://www.commander.com/pfs)

# IP Voice Insights

- Commander Phone launched March 2014
- Approximately 4,000 services active at 31 December 2014
- Average Revenue Per Handset of \$46
- Average Margin Per Unit (AMPU) in line with expectations
- Average of 3.7 handsets per customer
- 58% of Commander Phone customers have elected to connect a dedicated Commander broadband service
- Now launching Phase 2, Commander Key, extending to the 4-10 handset market - an Australian first



## Get the Complete NBN Solution.

Connect 6 or more NBN-Ready Commander Phones over 36 months and get 10GB of NBN Broadband for \$0 per month\*. Call the Commander experts.

1300 561 383. Visit [commander.com/nbn](http://commander.com/nbn)

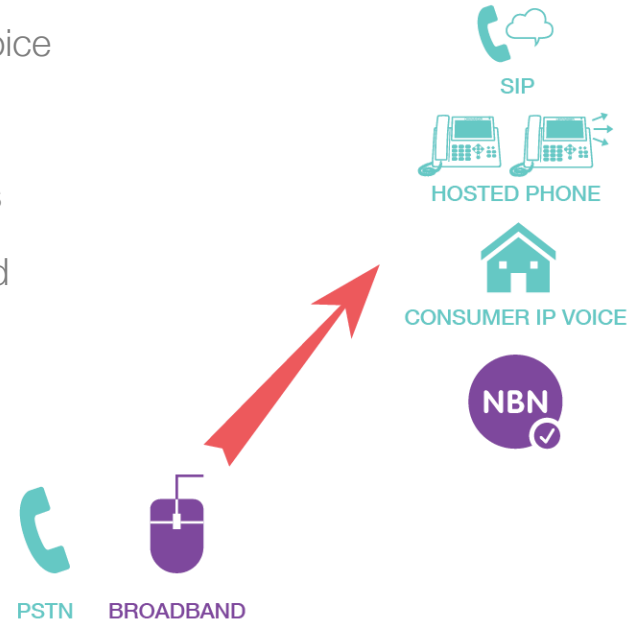


**COMMANDER**  
SAVES BUSINESS

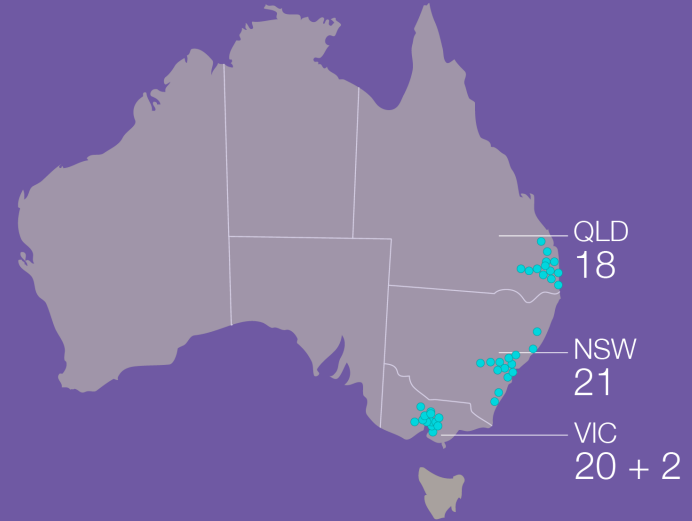
1. New customers only. 2. Min cost: \$7,549.20 based on 6 x Commander Essential Phones (\$34.90 per month). 3. NBN broadband must be on the same account as the Commander Phone services. 4. A monthly access fee of \$44 will be applied to your NBN connection if you have less than 6 Commander Phones. 5. NBN not available in all areas or to all customers. 6. Interface speed 12Mbps. 7. If you exceed your 10GB allocation, your NBN service will be subject to 250Kbps. 8. For full terms and conditions refer to the Commander website. 9. NBN and Powered by NBN are trademarks of NBN Co. Ltd.

# M2 Wholesale Cloud Communications Platform

- ➔ Wholesale offer encompassing NBN plus IP and hosted voice
- ➔ Launched to Wholesale Partners February 2015
- ➔ White labelled for partners and ready to sell in just 30 days
- ➔ Removes significant capex and operating costs associated with connecting directly to NBN
- ➔ Transforming M2 Wholesale from Value Added Reseller to Next Generation IP Carrier



# 40 new Kiosks opened by February 2015



📍 First Franchisees started in February 2015

📍 Expanded into two new States

# Dodo enters NSW Gas market

## Electricity & Gas Bundle

Coming soon to NSW



**20% OFF**

DODO ELECTRICITY USAGE RATES\*



**20% OFF**

DODO GAS USAGE RATES

**NO LOCK-IN CONTRACT**

NEW SOUTH WALES ONLY



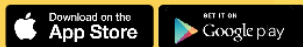
\*On auto payment plan when paid on time. Excl. certain locations / meter configs. Energy price fact sheets available at [dodo.com/pfs](http://dodo.com/pfs).

Available March 2015

# Introducing Dodo Phone Anywhere

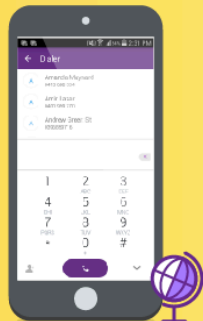


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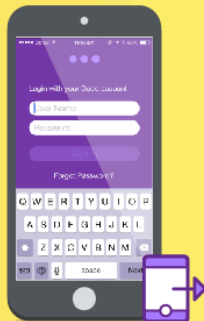


## Dodo Phone Anywhere App

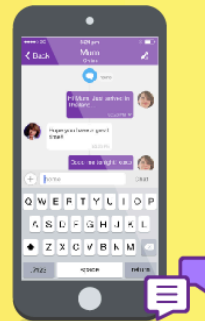
Launching  
March 2015



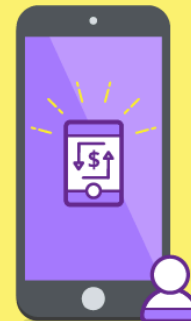
Make calls to hundreds of international locations at super cheap prices



Be up and running in seconds using any existing Dodo post-paid account details



Free chat with other Dodo Phone Anywhere users



No messy top-ups, calling cards or credits - call charges simply added to your existing Dodo account

AUS LANDLINE 2¢/min

NZ LANDLINE 2¢/min

CHINA 1.5¢/min

INDIA 1.5¢/min

USA 2¢/min

CANADA 2¢/min

UK LANDLINE 2¢/min



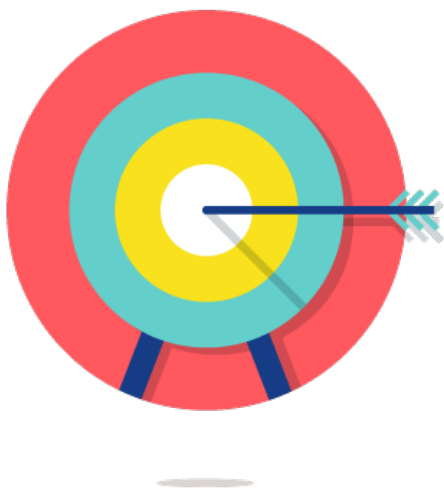
5c flagfall applies to calls. Service requires an internet connection, and usage will count towards your data allowance.



# Outlook



# Priorities



## The Growth Platform

- Continued focus on improving our business
- Leverage technology to reduce Cost To Serve and enhance customer experience
- Invest in talent and leadership development
- Expand NBN footprint

## The Growth Agenda

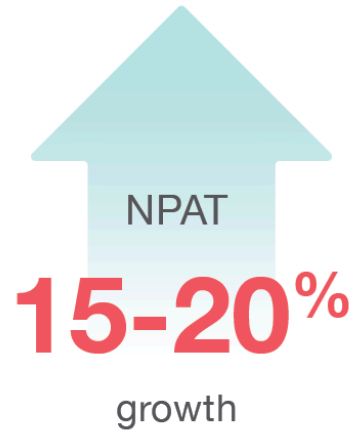
- ✓ Accelerate Dodo Kiosk rollout
- ✓ Progress Pay TV product delivery
- ✓ Consider further additions to Dodo product portfolio
- ✓ Expand Commander sales channels
- ✓ “Commander Saves Business” campaign extension

# Summary

- ➊ Strong organic revenue growth
- ➋ Laser focus on operating efficiency
- ➌ Driving increased earnings per share
- ➍ Prudent capital management strengthening Balance Sheet
- ➎ Growth in services portfolio expected to continue in H2 FY15
- ➏ Sales and marketing activities establishing foundations for long-term organic growth
- ➐ Increasing returns to shareholders

# FY15 Guidance

Results in line with expectations to meet our FY15 guidance



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# Questions





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