



Acquisition of Call Plus

13 April 2015

Geoff Horth, CEO

Transaction Summary

- Acquisition of 100% of both Call Plus Group and 2Talk Limited (collectively, “Call Plus”) for NZ\$250 million (AUD\$245 million¹) on a debt-free and cash-free basis
- New Zealand’s third largest provider of broadband and fixed voice services with a growing base of more than 400,000 services across consumer, business and wholesale market segments
- Highly profitable and complementary business with a similar challenger culture to M2
- The acquisition is expected to complete on or before 30 June 2015 and is subject to approval by the NZ Overseas Investment Office and other customary conditions

¹ Based on 0.98 Australian dollars for 1.00 New Zealand dollar.

Financial Impact

- Management expects the acquisition of Call Plus to contribute in excess of NZ\$250 million revenue and NZ\$45 million EBITDA in FY16
- Indicative EBITDA valuation multiple of approximately 5.6x for Call Plus
- Based on consensus estimates for M2 and assuming that Call Plus contributes NZ\$45 million of EBITDA, the acquisition is expected to result in underlying FY16 EPS¹ accretion of approximately 15%²
- Continues M2's track record of acquiring profitable, complementary businesses and building shareholder returns

¹ Based on IBES consensus estimate for underlying FY16 EPS of AUD\$0.59 per share as of 13 April 2015. Underlying EPS includes an add-back of a non-cash cost for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards). Australian Accounting Standards allow for 12 months from completion to finalise accounting and purchase price allocation. Fair value adjustments will be subject to purchase price allocation after completion. No amortisation charge has been included for any customer contracts deemed under Australian Accounting Standards to have been acquired through the acquisition of Call Plus. ² Based on M2's current expectations for the earnings contribution from Call Plus in FY16 that were developed as part of M2's due diligence, and there being no material change to the run rate performance or growth of those businesses during the period.

Funding

- M2 will fund the Call Plus acquisition and refinance existing debt through new fully underwritten multi-year loan facilities
- Upon completion of the acquisition, M2 expects its pro forma leverage to be approximately 2.0x net debt / pro forma FY16 EBITDA¹
- The M2 Board aims to maintain its dividend policy of 70% of NPAT post acquisition
- Consistent with the M2 Board policy, use of surplus cash will be considered for accelerated debt reduction

¹ Based on IBES consensus estimate for FY16 EBITDA of AUD\$192.6 million and M2 management expectations for FY16 EBITDA contribution from Call Plus.

Business Overview

- **Founded in 2000, Call Plus is New Zealand's third largest provider of broadband and fixed voice services**
 - An organically growing business with a strong existing sales engine
 - More than 400,000 post paid services in operation across consumer, business and wholesale segments
 - Similar challenger culture to M2 and a highly complementary business
 - Experienced and long standing management team
 - A national, next generation network delivering voice, copper and fibre services
 - ULL network covering 65% of the New Zealand population
 - Connectivity to all fibre points of interconnect nationally
 - Well positioned to benefit from roll out of New Zealand's Ultra-Fast Broadband (UFB) network

Key Brands

- ▶ Call Plus offers a suite of challenger brands that are well-recognised in the markets in which they compete in New Zealand



Full service challenger in the consumer segment with 90%+ prompted awareness



Premium, high tech consumer ISP



Low cost, pre-pay ISP with online only customer support



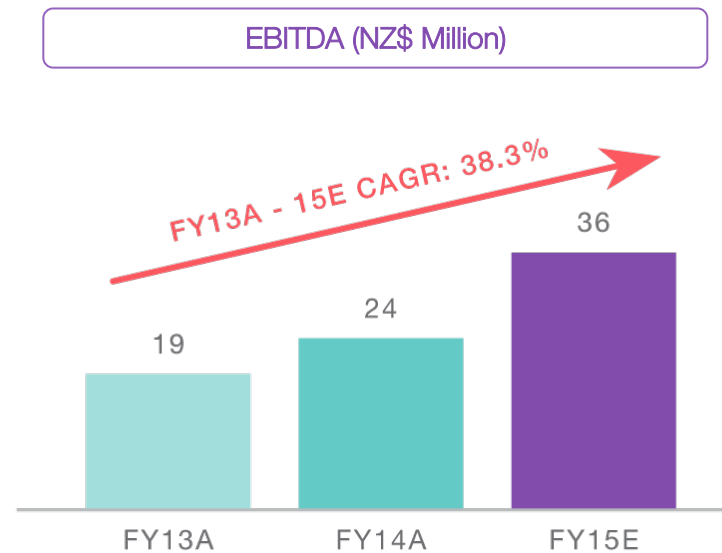
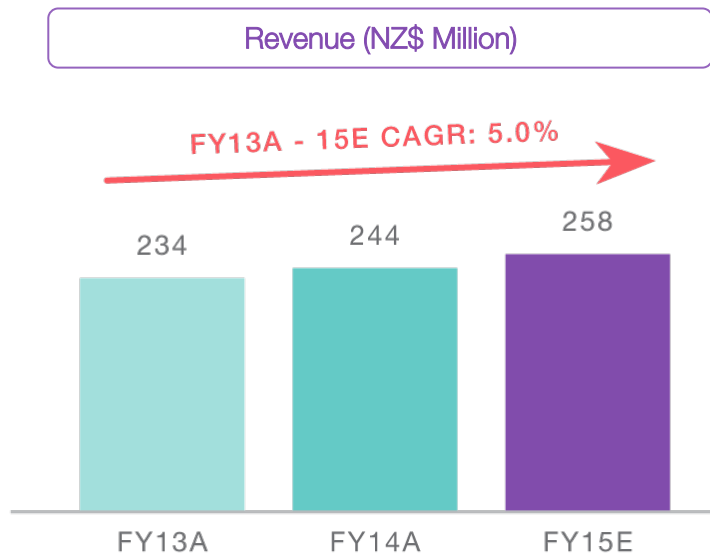
Full service challenger in the business segment



VoIP solutions provider

Financial Profile

➤ Call Plus is a highly profitable business, with a strong track record of organic growth

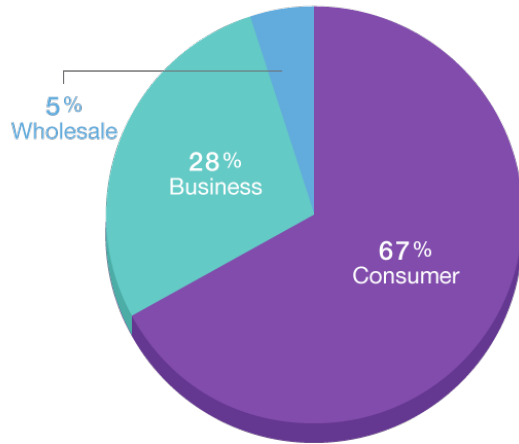


Note: Financials presented on a pro-forma basis to include the historical trading results of Orcon prior to its acquisition by Call Plus in 2014. Pro forma financials as provided in an external provider's financial due diligence report.

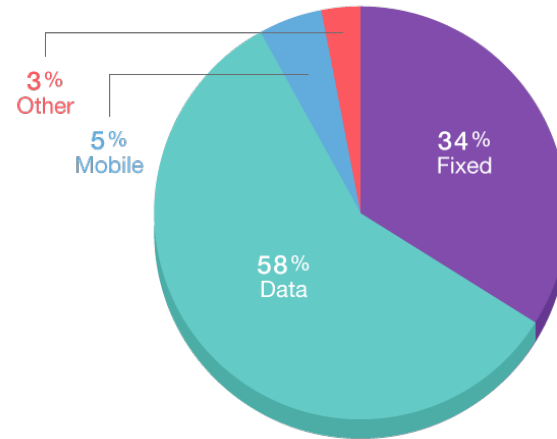
Revenues by Segment and Product

- ▶ **Call Plus' revenues are predominantly derived from its consumer segment brands and from its broadband product**

Revenue by Segment (FY14A)



Revenue by Product (FY14A)



Note: Pro forma financials as provided in an external provider's financial due diligence report.

Strategic Rationale

- ▶ Expands M2's existing NZ business to become the third largest ISP and leading challenger in the NZ telecom market
- ▶ Delivers M2 a large, profitable and organically growing business that serves the same markets in NZ that M2 currently targets in Australia
- ▶ Delivers a proven management team that is experienced in operating the leading challenger business in the NZ telecom market
- ▶ Provides a nationally recognised portfolio of consumer and business brands which are well positioned to grow share in the transition to Ultra-Fast Broadband
- ▶ Further significant enhancement of scale to M2's business
- ▶ Strong cultural alignment between the M2 and Call Plus businesses

Overview of the Expanded M2 Group

- **Call Plus will be maintained as a self-contained operating business and will add highly complementary operations to the M2 Group in the residential and SMB segment**

Consumer

- Range of fixed line, data, mobile, energy and insurance services
- Low-cost, value brand position



SMB

- Comprehensive range of good value managed voice, data, cloud and energy services for businesses
- Scalable distribution encompassing a national Dealer Network and direct sales team



Wholesale

- Wholesale supply to telecommunications and internet service providers
- Portfolio of traditional voice and data products in addition to next generation cloud communication services



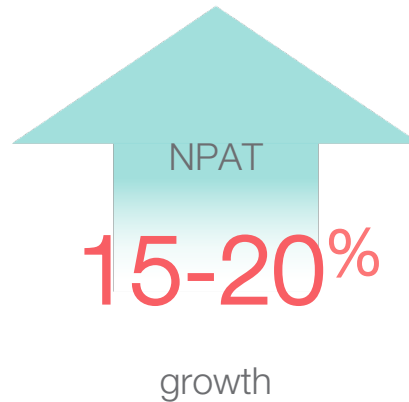
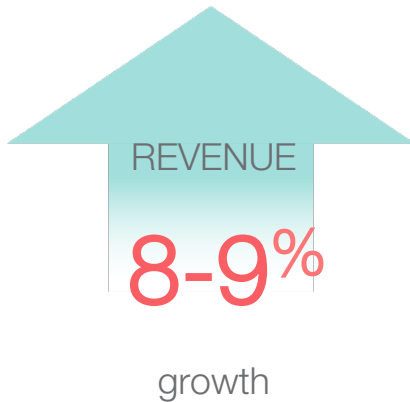
New Zealand

- Range of fixed line, data and mobile services targeting residential, SMB and wholesale markets
- Portfolio of brands across the value spectrum



FY15 Guidance

➤ M2's FY15 results are expected to remain in line with previous guidance



Note: FY15 guidance excludes impact of Call Plus acquisition.

Questions



Important Notice and Disclaimer

General: This document has been prepared by M2 Group Ltd ACN 091 575 021 (M2) (ASX; MTU) to provide general information on M2's proposed acquisitions of Call Plus Group (Call Plus) and 2Talk Limited (2Talk) (collectively referred to as "Call Plus"), as announced by M2 to ASX on 13 April 2015. This document (a) does not contain or summarise all information that an investor should consider when making an investment decision in relation to M2 Shares or any other financial products; and (b) contains information that may be subject to assumptions and qualifications the appropriateness of which may be subject to significant uncertainties and contingencies outside M2's control.

Reliance on information from Call Plus: The information in this document relating to Call Plus, and those parts of the information relating to the expanded M2 Group which relate to Call Plus, has been prepared by M2 in reliance on information provided to it by Call Plus. To the maximum extent permitted by law, neither M2 nor Call Plus assumes any responsibility for the accuracy or completeness of those parts of this document that may be derived from information supplied by Call Plus, and Call Plus does not assume any responsibility for the accuracy or completeness of the information in this document relating to M2 or those parts of the information relating to the expanded M2 Group which relate to M2.

No financial product advice: The information contained in this document is not financial product or investment advice nor a recommendation in respect of M2 Shares. This document has been prepared without taking into account the objectives, financial situation or needs of shareholders or other persons. Readers should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. Neither M2 nor Call Plus is licensed to provide financial product advice in respect of M2 Shares or any other financial products. No cooling-off regime applies (whether by operation of law or otherwise) in relation to the acquisition of M2 Shares.

Risk of investment: An investment in M2 Shares is subject to investment, and other known and unknown risks, many of which are beyond M2's control, including the possible loss of income or capital invested. M2 does not guarantee or give any assurance about any particular rate of return or the performance of it, any of its subsidiaries or the expanded M2 Group nor does M2 guarantee or give any assurance about the repayment of capital from any investment or any particular tax treatment.

Important Notice and Disclaimer (Cont'd)

Forward looking statements: A forecast, estimate, projection or other prospective opinion in this document (Projection) may be based on information and assumptions supplied by a third party, reflect the author's judgment only at a specific date, is subject to change without notice, and is provided on the understanding that assumptions, on which Projections are based, may not be realised and that unanticipated events and circumstances may occur. Projections involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results or performance of M2 or the expanded M2 Group to be materially different from future results, performances or achievements expressed or implied by such Projections. Therefore, any Projections should be construed in light of such risks and undue reliance should not be placed on them.

Disclaimer: M2, Call Plus, their related bodies corporate and their respective directors, officers, employees, consultants, agents and advisers: (a) make no representation or warranty, express or implied, as to the accuracy, currency, reliability or completeness of the information in this document; (b) are under no responsibility or liability to update this document; and (c) to the extent permitted by law, is not responsible or liable in any way whatever for any claim, loss, damage, cost or expense whether direct, indirect, consequential or otherwise, arising (whether in negligence or otherwise) out of or in connection with this document, its context or any omissions from it. This document is not a prospectus or product disclosure statement and does not constitute, and under no circumstances is to be used or considered as, an offer of securities for issue or sale, an invitation to apply for the issue of securities, an invitation to offer to purchase securities, or an offer to underwrite securities or to provide finance. Recipients of this document are not clients of M2, Call Plus nor of M2's financial advisers.

Financial data and rounding: All dollar values are in Australian dollars (A\$) unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this document are subject to the effect of rounding.

Other: "FY" refers to Financial Year (year ended 30 June).

Goldman Sachs is acting as exclusive financial adviser to M2, and Allens is acting as legal adviser, in relation to the acquisition.



GROUP

www.m2.com.au