Half Year Results 2015

David Tudehope & Michael Simmonds

26 February 2015

CEO Presentation

David Tudehope

Strategic objective

Australia's leading Managed Hosting, Cloud and Telecommunications provider to business and government customers through the delivery of service excellence

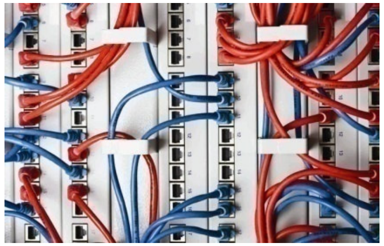



Macquarie Telecom at a glance

Macquarie Telecom delivers a range of Hosting, Cloud, Data, Mobile and Voice services specifically to the business and government market.

Hosting Division

We provide secure, scalable, high-availability, co-location, fully managed hosting and private and public cloud services for our customers' mission critical applications.



Telco Division

Data – we offer the highest level of network service availability and optimum network solutions to support our customers' business application environments through reliable and secure IP data network services.

Mobiles – we provide flexible mobile solutions across multiple networks together with a wide range of enhancement management, reporting and cost control tools that enable our customers to effectively manage and control their mobile fleet and its expenditure.

Voice – we deliver secure, flexible and cost-effective telephony solutions developed to meet the specific business requirements of our customers and to maximise productive use of telecommunications and control unnecessary spending.

FY 15 H1 Financial Highlights

$m	1H15	1H14	Change
Revenue	95.3	99.8	(4.5%)
EBITDA	11.8	13.3	(11.0%)
D&A	14.8	12.3	20.1%
EBIT	(2.9)	1.0	(398.3%)
NPAT	(2.5)	0.4	(747.1%)
EPS (cps)	(12.0)	1.8	(782.7%)

- EBITDA of $11.8 million a decrease of $1.5 million on pcp.
- D&A of $14.8 million an increase of $2.5 million on pcp.
- EBIT loss of $2.9 million as compared to EBIT profit of $1.0 million in the pcp.
- Net Loss after Tax of $2.5 million as compared to Net Profit after Tax of $0.4 million in the pcp.
- EPS of (12.0) cps as compared to 1.8 cps in the pcp.

FY 15 H1 Operational Highlights

1. **Federal Government** – the provisioning of Secure Internet Gateway services to the contracted Federal Government agencies in Intellicentre 4 has continued to progress successfully and as at 31 December 2014, 24 agencies were billing (17 as at 27 August 2014).

2. **Colocation** – as at 31 January 2015 approximately 1.45MW (36% of final IT load capacity) was contracted. This compares to 1.3MW as at 31 July 2014. In addition we have now completed installing the 3rd MW of IT Load and the second data hall.

3. **Managed Hosting** - we are still experiencing revenue degradation as our managed hosting customer base migrates onto our Virtual Private Cloud infrastructure. We have also now started to see a lower maintenance capex spend and lower operating costs.

4. **Telco** – Mobiles revenue has begun to trend upwards as our customers begin to see the benefit of our multi-carrier offering.

5. **Ninefold** - shift in focus back to Australian market and we expect Ninefold to be break-even by June 2015.

FY 15 H1 Operational Highlights

6. **Customer Recognition** – Macquarie Telecom's focus on customer experience has been recognised by our customers giving us a Net Promoter Score (NPS) of +52 for FY 15 H1 and winning the Customer Service Council's Gold Award for best customer care in Australia in the Enterprise Category.

7. **Partner Recognition** - Macquarie Telecom is the 2015 VMware Service Provider of the Year for Asia Pacific. This award recognises Macquarie Telecom's technology leadership in the region and how we support businesses to adopt cloud computing.

CFO Presentation

Michael Simmonds

Revenue

Revenue $m	Data	Voice	Mobiles	Telco	Hosting	Total
2H13	30.4	31.6	9.1	71.1	29.8	100.8
1H14	31.3	28.9	9.2	69.4	30.3	99.8
2H14	29.2	26.6	10.4	66.2	30.8	97.0
1H15	28.8	24.8	10.7	64.3	31.0	95.3
1H14 v 1H15	(2.5)	(4.2)	1.5	(5.1)	0.7	(4.5)
% change	-7.9%	-14.4%	16.4%	-7.4%	2.2%	-4.5%
2H14 v 1H15	(0.4)	(1.9)	0.3	(1.9)	0.2	(1.7)
% change	-1.3%	-7.0%	3.3%	-2.9%	0.7%	-1.7%

- Hosting revenue increased 2.2% on pcp. The continued increase in revenue from Intellicentre 2 and provisioning of federal government agencies was offset by ongoing price reductions caused by technology change as managed hosting customers progressively move from higher cost dedicated managed server infrastructure to lower cost Virtual Private Cloud.
- Telco revenue a decrease of 7.4% on pcp primarily due to reduction in Voice as further price competition and fixed to mobile and data substitution continues. Mobiles continues its upward trend.
- Total revenue a decrease of 4.5% on pcp.

EBITDA

EBITDA $m	Data	Voice	Mobiles	Telco	Hosting	Corp Office	Total
2H13	5.6	7.5	0.5	13.6	4.3	(2.3)	15.6
1H14	5.2	8.0	0.2	13.3	2.8	(2.8)	13.3
2H14	4.2	7.6	(0.4)	11.3	3.1	(2.2)	12.2
1H15	3.4	6.8	0.4	10.6	3.8	(2.6)	11.8
1H14 v 1H15	(1.8)	(1.2)	0.3	(2.8)	1.0	0.3	(1.5)
% change	-34.3%	-14.7%	181.9%	-20.8%	37.0%	-9.8%	-11.0%
2H14 v 1H15	(0.7)	(0.8)	0.9	(0.7)	0.8	(0.4)	(0.4)
% change	-17.4%	-10.7%	-200.2%	-6.5%	25.2%	18.6%	-3.0%

Impact of Investments on Hosting EBITDA				
$m	Government	IC2	Ninefold	Total
2H13	(1.9)	(0.1)	(0.8)	(2.9)
1H14	(2.4)	1.0	(1.6)	(3.1)
2H14	(1.0)	1.5	(1.4)	(0.9)
1H15	1.2	2.2	(1.5)	2.0

- Telco EBITDA has declined in line with revenue decline.
- Hosting EBITDA continues to improve as the major investments start to generate returns.
- Hosting EBITDA continues to be impacted by degradation in revenue as customers migrate to shared infrastructure.

EBITDA less Maintenance Capex

	2H13	1H14	2H14	1H15
EBITDA	15.6	13.3	12.2	11.8
Depreciation	10.3	12.3	14.1	14.8
EBIT	5.3	1.0	(1.9)	(2.9)
Interest	(0.2)	(0.5)	(0.6)	(0.8)
NPBT	5.2	0.5	(2.5)	(3.8)
Tax	(1.2)	(0.1)	1.3	1.3
NPAT	4.0	0.4	(1.2)	(2.5)
Maintenance Capex	10.0	10.8	9.8	8.2
Growth Capex	17.6	6.2	6.7	4.2
Total Capex	27.6	17.0	16.5	12.4
EBITDA - Maintenance Capex	5.6	2.5	2.4	3.6

Although EBITDA has marginally decreased EBITDA less maintenance capex has continued to increase as the lower cost of hosting computer equipment replacement starts to become more apparent.

Balance sheet

$m	1H15	FY14
Cash and cash equivalents	7.0	4.7
Gross Trade Debtors & WIP	14.0	12.4
Other Assets	123.9	129.1
Total Assets	145.0	146.2
Creditors	22.8	27.4
Short and Long Term Debt	29.0	23.5
Other Liabilities	3.9	3.6
Total Liabilities	55.7	54.4
Total Equity	89.3	91.8

- $45 million working capital facility to support strategic growth opportunities of which $29 million was drawn as at 31 December 2014.
- Net debt $22 million (FY2014: $18.8 million).

Cash flows

$m	1H15	1H14
Cash flows from Operating Activities	9.0	5.8
Cash flows from Investing Activities	(12.4)	(17.0)
Cash flows from Financing Activities	5.5	12.5
Net Increase/(Decrease) in Cash Held	2.1	1.3
Opening Cash & Cash Equivalents	4.9	9.8
Closing Cash & Cash Equivalents	7.0	11.1

- $4.2 million investment in growth capex in 1H15 including expansion of data centre capacity in Sydney and Canberra. $8.2 million investment in maintenance capex.
- Intellicentre 2 2nd Data Hall fitout and 3rd megawatt installation now complete.
- No interim dividend.

OUTLOOK – FY15

- EBITDA is expected to grow from $11.8 million in the first half to between $12.2 million and $14.2 million in the second half resulting in an expected full year FY15 EBITDA range of between $24 million and $26 million

- Capital expenditure for fiscal 2015 is expected to be $22 million of which $16 million is maintenance and $6m growth.

- An Investor Day will be held in May where more details around current and future strategic initiatives will be presented.

Questions

Macquarie Telecom Group Ltd
Half Year results 2015

Disclaimer

No express or implied warranty is given as to the accuracy or completeness of the information in this document or any corresponding presentation. This document may contain forward looking statements that, while used in good faith, reflect Macquarie Telecom Group Limited's current intention, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of Macquarie Telecom Group Limited.

Factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Macquarie Telecom Group Limited's current intentions, plans, expectations, assumptions and beliefs about the future, disclosures herein should not be relied upon as advice to investors or potential investors and should be viewed with caution.