

MACQUARIE CONNECTIONS

2013



Clive Stein  
CEO

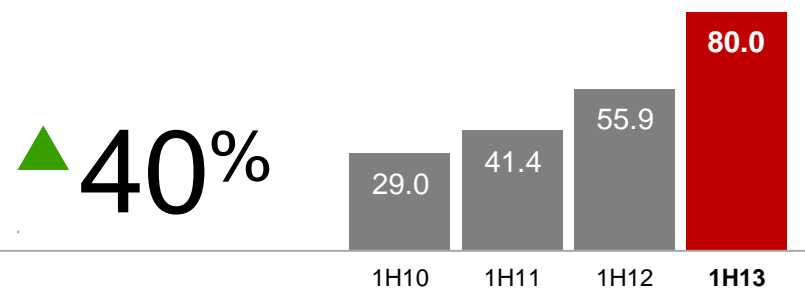
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# Consistent Track Record

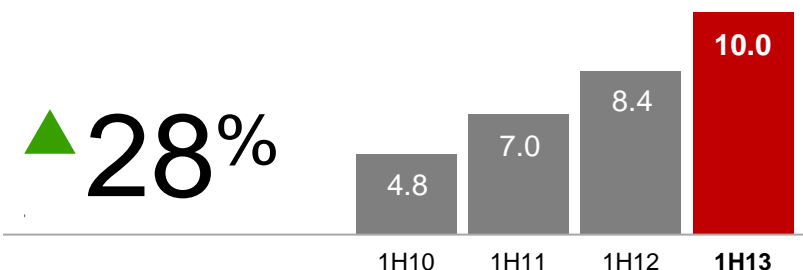
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(3 Half Year CAGR)

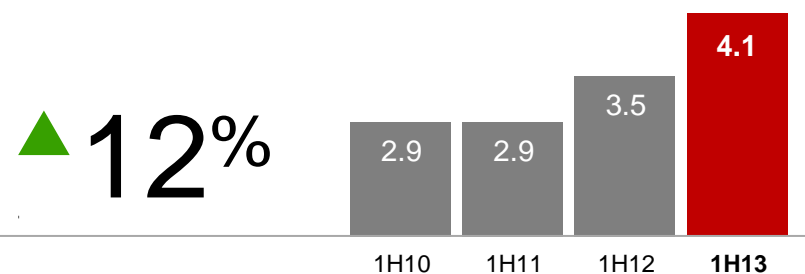
## Revenue (\$m)



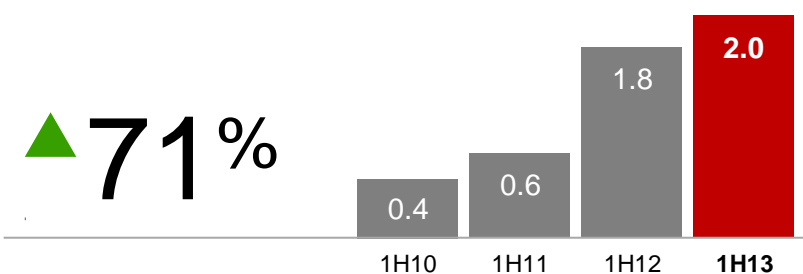
## NPAT\* (\$m)



## EPS\* (cps)



## Dividend (cps)



\* Excluding equity accounted earnings and significant items

# Financial Highlights 1H13

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| Profit Summary (\$m)                 | 1 H 13 | 1 H 12 | Var %   |
|--------------------------------------|--------|--------|---------|
| Revenue                              | 80.1   | 55.9   | ▲ 43%   |
| EBITDA                               | 19.2   | 16.6   | ▲ 16%   |
| EBIT                                 | 14.5   | 12.3   | ▲ 18%   |
| NPAT - before Significant Items      | 10.0   | 8.4    | ▲ 20%   |
| NPAT -Reported                       | 10.0   | 26.5   | ▼ (62)% |
| EPS cents (before Significant Items) | 4.1    | 3.5    | ▲ 17%   |
| ROE normalised                       | 18%    | 15%    |         |
| Interim dividend per share (c)       | 2.0    | 1.8    | ▲ 11%   |

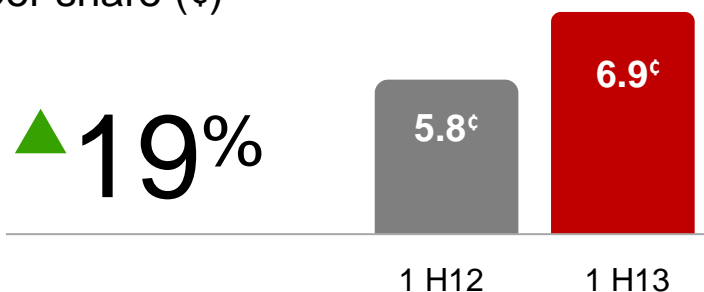
1H12 Significant Items included the profit of \$18.6m from the distribution of IIN

# Cash Flow

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| (\$m)                             | 1 H13 | 1 H 12 | Var % |
|-----------------------------------|-------|--------|-------|
| EBITDA                            | 19.2  | 16.6   | ▲ 16% |
| Interest paid                     | (0.8) | (0.3)  |       |
| Tax paid                          | (2.4) | (3.3)  |       |
| Working Capital & Other           | 0.9   | 1.1    |       |
| Operating Cash Flow               | 16.9  | 14.1   | ▲ 20% |
| Operating Cash Flow per Share (¢) | 6.9   | 5.8    | ▲ 19% |

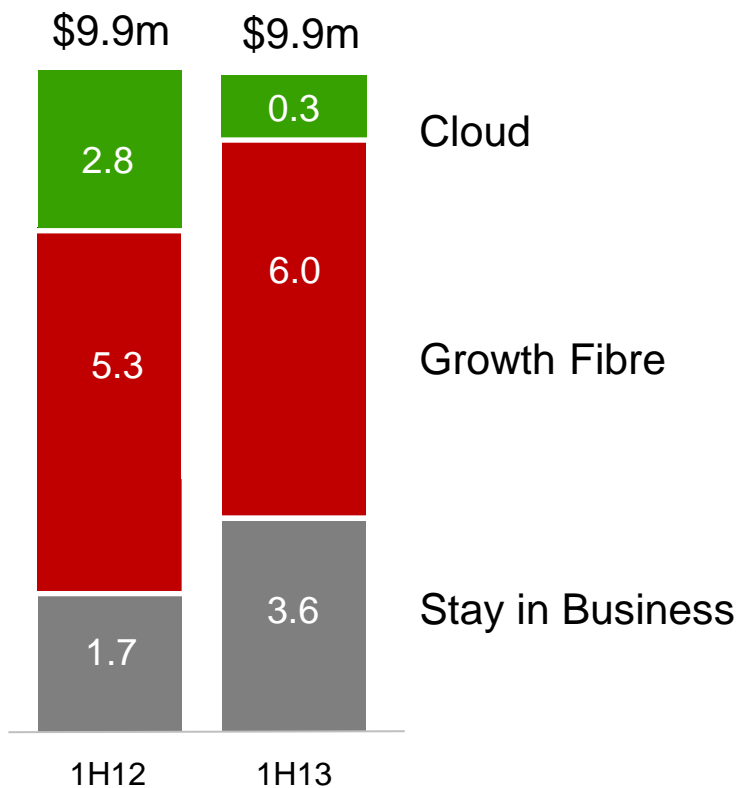
## Operating Cash Flow per share (¢)



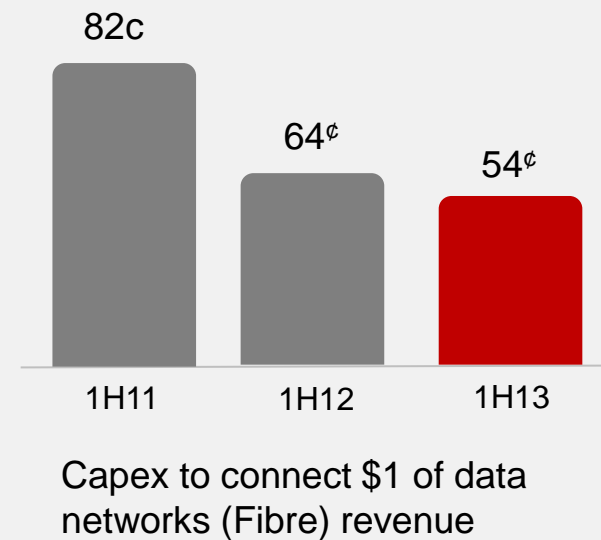
# Capex Investment

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## Capex



## Capex Efficiency

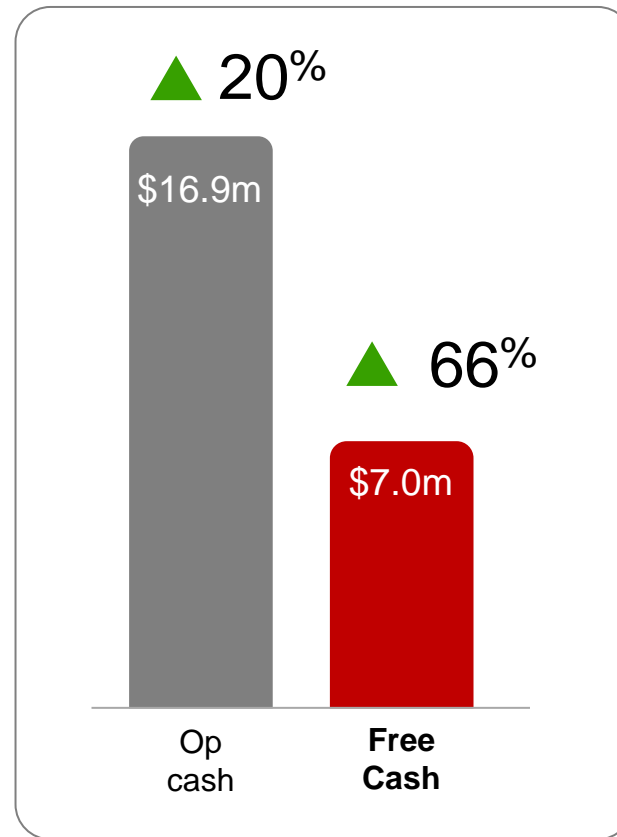


# Free Cash Flow\*

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**1H12**



**1H13**

\*Free Cash Flow = Operating Cash Flow less payments for PPE

# Capacity to Grow

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|                                    | 1 H13 | 1 H 12 |
|------------------------------------|-------|--------|
| Cash (\$m)                         | 25.2  | 19.6   |
| Net Debt / (Cash) (\$m)            | 8.9   | 12.6   |
| Shareholders Equity (\$m)          | 114.1 | 113.9  |
| Gearing* %                         | 7%    | 10%    |
| EBITDA/ Net Interest Exp (x)       | 24.0  | 53.2   |
| EBITDA <sup>#</sup> / Net debt (x) | 4.3   | 2.6    |

- \$38m Bank Facilities to December 2014
- \$15m Cisco vendor loan facility – undrawn at 31 December
- Strong operating cash flow

\* Gearing: Net debt to net debt plus equity

# EBITDA annualised

# Business Update

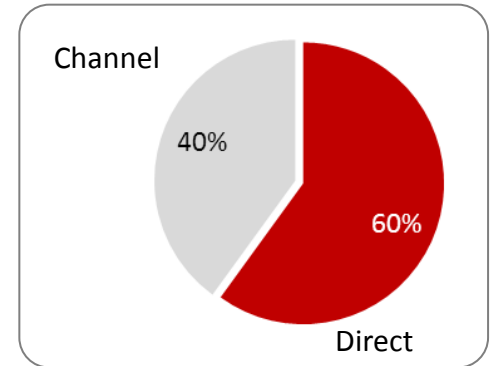


# Data Networks

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- Strong annualised sales ~\$1.7m per month
- Expanded sales distribution capability underpinning consistent sales growth:
  - Strong direct sales teams
  - Channel - Resellers (~200 partners nationally) and Wholesale
- We sell everywhere – beyond our own network footprint > 2,300km
- Upgrading network platform with Cisco

**Sales Mix**



***In Australia, business data network traffic will double 2011-2016, a CAGR of 19%***

Cisco VNI Global IP Traffic Forecast, 2011-2016



# Data Network Customer Base

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Wholesale (Telco)



11 %

Wholesale (Reseller)



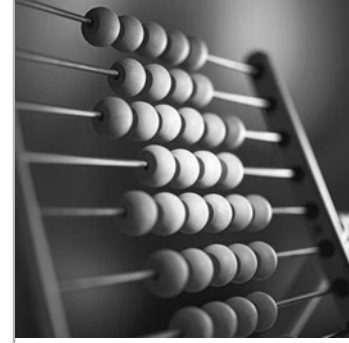
10 %

Government



32 %

Financial Services



2 %

Mining & Resources



17 %

Retail & Trade



6 %

Building & Construction



4 %

Professional Services



18 %

# Expanded Cisco Partnership

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## Data Network Upgrade

- Every 5-7 years our data network platform is upgraded:
  - New features
  - Additional capacity
- Initial \$5m upfront investment – vendor financed
- Further investment based on sales take-up, upgrades, migrations etc
- Earnings contribution from new value added services from FY14 onwards

## Unified Communications Platform

- Initial \$2m investment in Cisco HCS, vendor financed
- Platform in place by Jun 13
- Pre-sales commenced
- Further investment based on sales take-up
- Earnings contribution from FY14 onwards

### Key Points

- Low capex requirement
- Technology is scalable
- Generates strong cash flow

## Strategic Positioning

- All businesses use PABX's - telephone systems
- Most PABX's today on-premise
- Aligning with Cisco to address Enterprise market
- Cisco already has strong share of Enterprise market
- Compelling drivers for customers to transition from on-premise to hosted:
  - Capex to opex
  - No maintenance (outsource)
  - Easy to scale
  - Add new features – Unified Communication (UC)





## Telephony

- Feature rich handset range



## Video Conferencing

- High quality audio and HD video
- Conference using room, mobile, handset or desktop
- Full meeting room experience



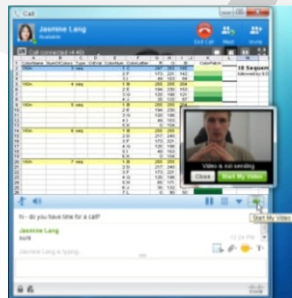
## Mobility

- Mobile workforce
- Any Device, anywhere, anytime



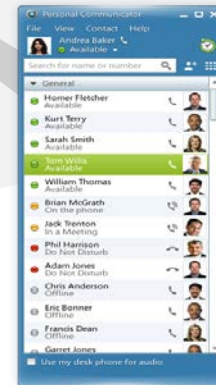
## Collaboration

- Collaborate with rich media and video from any device



## Presence

- Easily determine your colleague's availability for meetings and calls



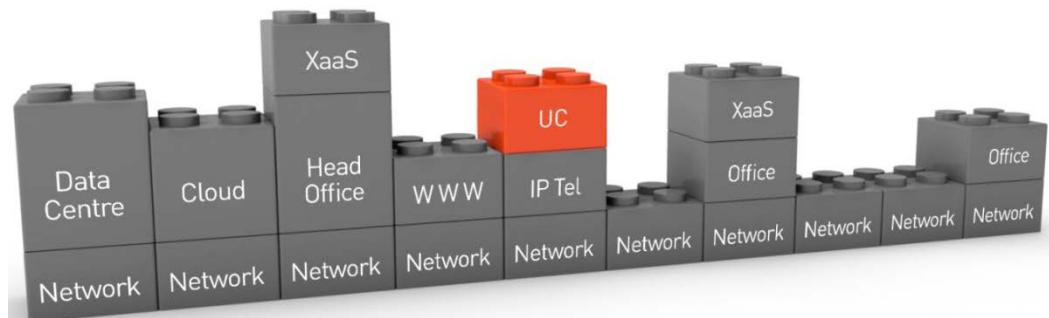
## Chat / IM

- Instantly connect and communicate

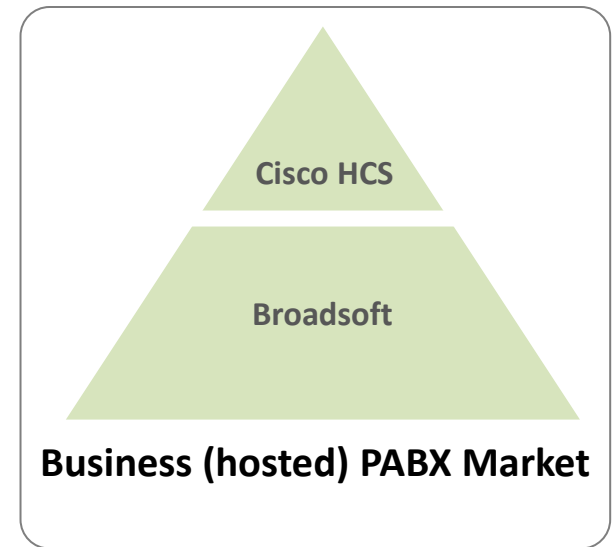


## HCS - Another Growth "Engine"

- Existing customer base (Amcom and L7)
- Data Networks and Data Centre in place
- IP Telephony expertise
- Cisco expertise through L7 acquisition
- Amcom L7 and Cisco existing on-premises customers targeted



- Two platforms providing full business market coverage:
  - Cisco HCS (new) – Enterprise market
  - Broadsoft (Existing) - Mid market
- Direct sales teams & Resellers (nationally)
- Profit performance of IPTel unit well above expectation, focussing on higher margin business



# Cloud

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- Cloud recurring billing of circa \$5m
- Two new global vendor Enterprise platforms being deployed using L7 capabilities:

Enterprise market Compute and Storage  
(Infrastructure-as-a-Service)



Big Data Platform  
(Big data-as-a-Service)

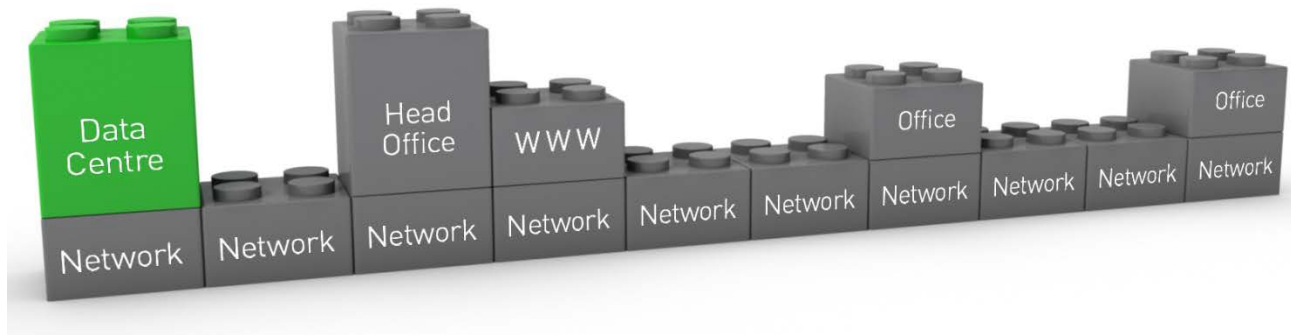


- Anchor customers secured
- Operating lease tailored to a consumption model
- Demonstrates Amcom's ability to leverage its data network, data centres and technology skills
- Positive earnings contribution from FY14

*IDC projects that by 2020, data storage will increase by 50-fold from 2010*



- 3 owned and operated data centres
- Connected to ~ 50 Data Centres nationally
- Colocation of IT equipment key driver
  - Resell 3rd party data centre
  - Drives data network growth
- Cloud platforms are housed in own data centres
- Increase own capacity this calendar year



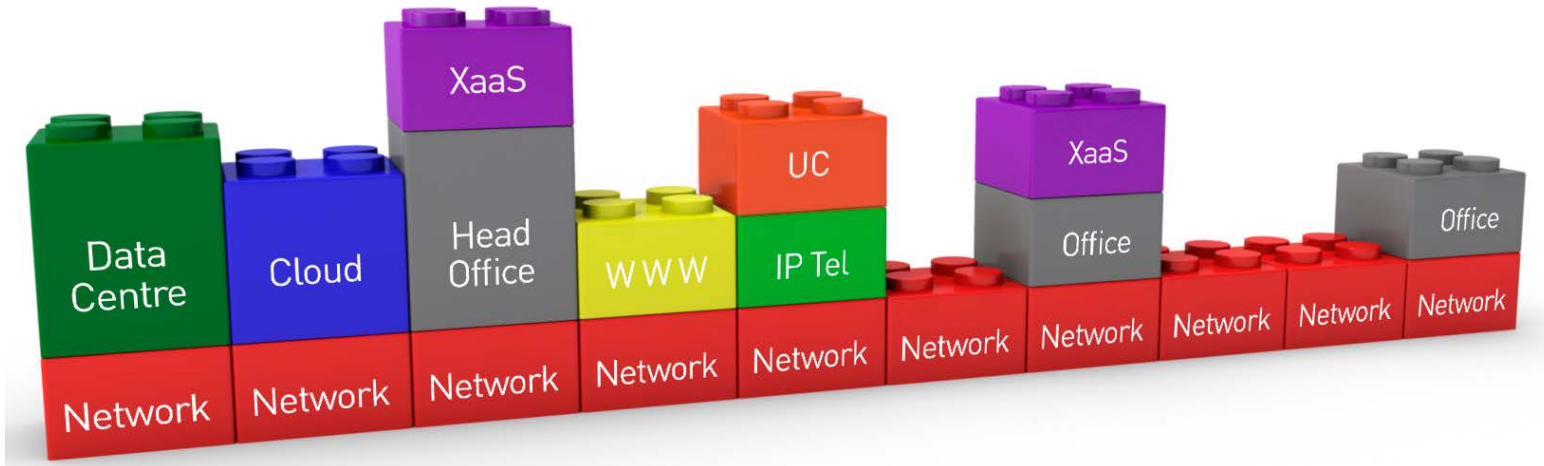
# L7 Solutions

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- 18 months since acquisition
- Rebranded Amcom
- Utilising L7 core skills to drive new annuity services:
  - Cisco – IP Telephony
  - EMC – storage services
  - VCE – new cloud offering
- Strong value created through cross selling, particularly high margin data networks



We have a national business with compelling product offerings, differentiated through exceptional customer experience.



# Summary and Outlook

## Strategically well positioned

- Continued convergence IT and Telco
- Extensive networks in place
- Broad offering of services with key partnerships in place
- Sales and marketing led
- Focus on medium to large corporates and government

## Consistent financial performance

- Ongoing revenue and underlying profit growth
- High level of recurring revenues
- Strong free cash flows

## Solid growth strategy

- Capacity to grow
- Strong cross-selling and up-selling opportunities
- Large markets with ample room to gain market share

On track to achieve circa 20% underlying earnings increase in FY13 above FY12.

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