

# H1/16 INVESTOR PRESENTATION.

26 FEBRUARY 2016.



# CONTENTS.

1. H1/16 RESULTS
2. M2 H1/16 RESULTS
3. MERGED COMPANY OVERVIEW
4. THE WAY FORWARD
5. APPENDICES

# HIGHLIGHTS.

## THE LAST SIX MONTHS...AT A GLANCE



Record financial results – revenue up 181%, underlying EBITDA up 188% and underlying diluted earnings per share up 39%



Amcom acquired 8 July 2015



Merger with M2 implemented 22 February 2016



Non-binding term sheet with Nextgen to build Australia-Singapore Cable

## SIGNIFICANT INFRASTRUCTURE ASSETS

# FINANCIAL HIGHLIGHTS.

## SIGNIFICANT EXPANSION IN CORE BUSINESS AUGMENTED BY ACQUISITIONS

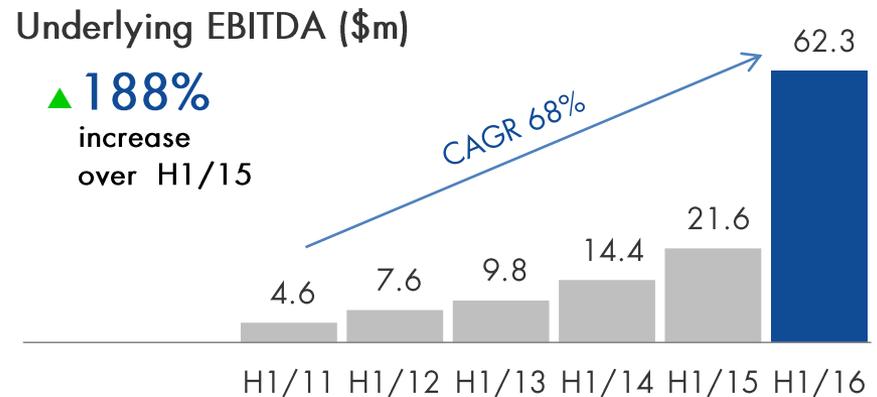
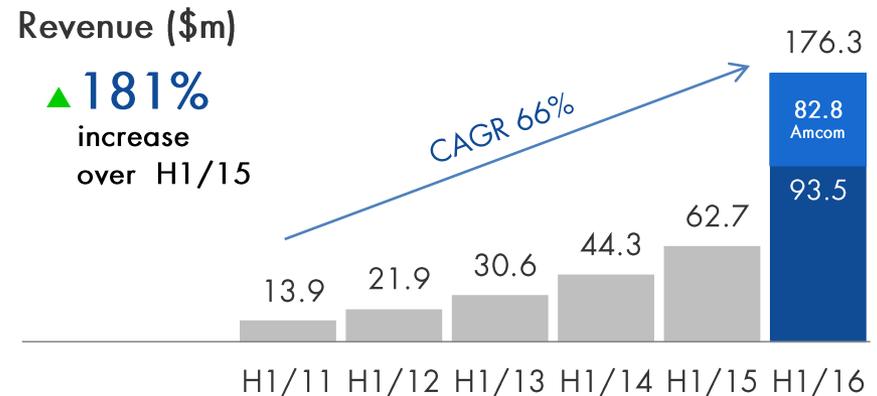
Revenue	\$176.3m	↑ 181%
Underlying <sup>1</sup> EBITDA	\$62.3m	↑ 188%
Underlying <sup>2</sup> NPAT	\$27.4m	↑ 203%
Operating Cash Flow	\$44.7m	↑ 106%
Underlying diluted EPS <sup>3</sup>	12.07c	↑ 39%

1. Underlying EBITDA excludes gains on total return swaps, early repayment of borrowings, acquisition and integration costs and other gains/losses
2. Underlying NPAT excludes amortisation of acquired customer contracts in addition to the above items
3. Calculated with reference to underlying NPAT

# HEADLINE RESULTS.

## ORGANIC GROWTH SUPPORTED BY STRATEGIC M&A

- Revenue and EBITDA up 181% and 188%, respectively
- Driven by a combination of organic and acquired growth
  - Amcom revenue \$82.8m in H1/16
  - Revenue growth ex-Amcom of 49%
- Non-core IT Services division divested December 2015 – contributed revenue of \$10.3m in H1/16
- 5-year CAGR of revenue and underlying EBITDA of 66% and 68%, respectively



1. Underlying EBITDA excludes gains on total return swaps, early repayment of borrowings, acquisition and integration costs and other gains/losses  
 2. Compound annual growth rate ("CAGR") from H1/11 – H1/16

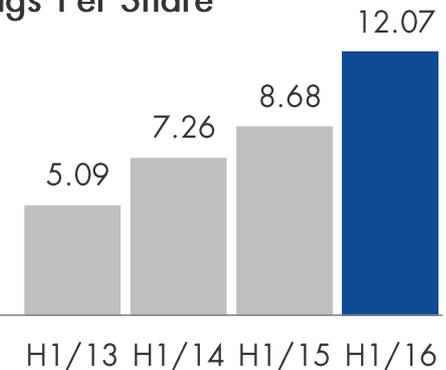
# EARNINGS AND DIVIDENDS.

## GROWTH IN EARNINGS AND DIVIDENDS

- H1/16 EPS growth of 39% after increase in share base<sup>1</sup> from 100.7m to 226.7m shares on issue
- H1/16 dividends declared of 9.5cps, comprising 7.6c interim dividend and 1.9c special dividend
- Growth in dividends supported by strong cash flows whilst continuing to invest for future growth

Diluted Underlying Earnings Per Share (cps)

▲ 39%  
increase  
over H1/15

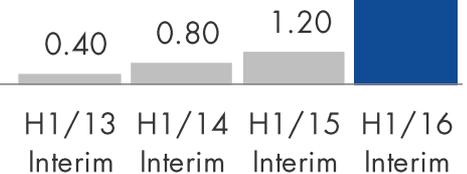


Dividends declared (cps)

9.50

1.90  
special

7.60



1. Represented by weighted average number of shares (Note 6 of the Half-Year Report)  
2. Diluted underlying EPS calculated on underlying NPAT

# CASH FLOWS.

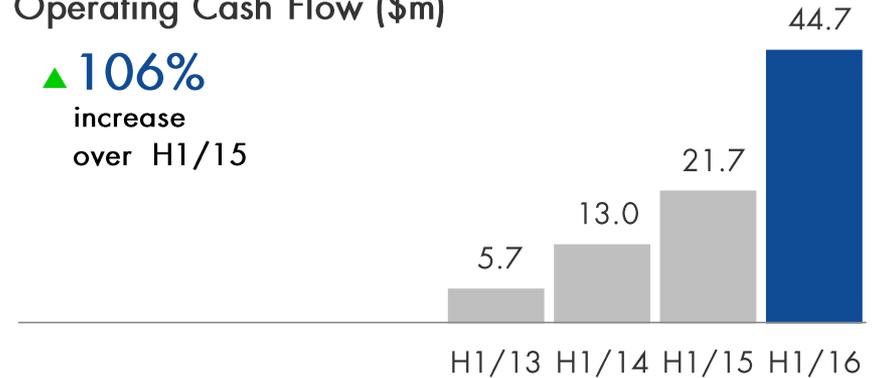
## INFRASTRUCTURE ASSETS GENERATING STRONG CASH FLOWS

- Investment in Southern Cross subsea cable capacity totalling \$19.0m

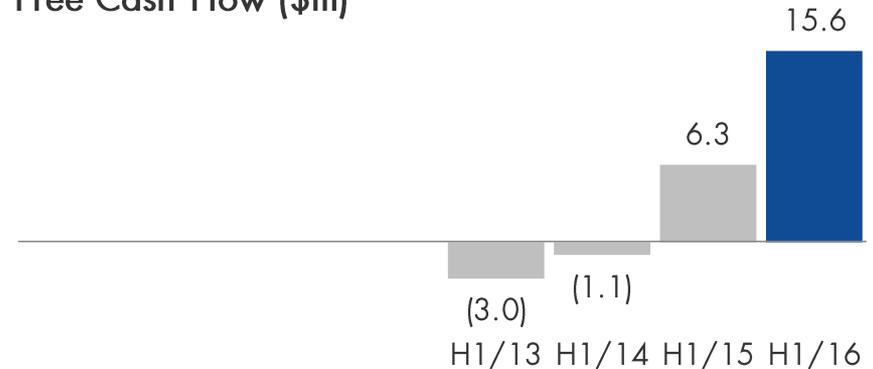
A\$m	31 December 2015
Borrowings	232.2
less Cash	(28.4)
Net Debt	203.8
Gearing Ratio <sup>1</sup>	18.4%
Net Leverage <sup>2</sup>	1.64x

### Operating Cash Flow (\$m)

▲ 106%  
increase  
over H1/15



### Free Cash Flow (\$m)



Free Cash Flow = Operating Cash Flow less payments for property, plant and equipment and intangibles (excluding investment in Southern Cross capacity)

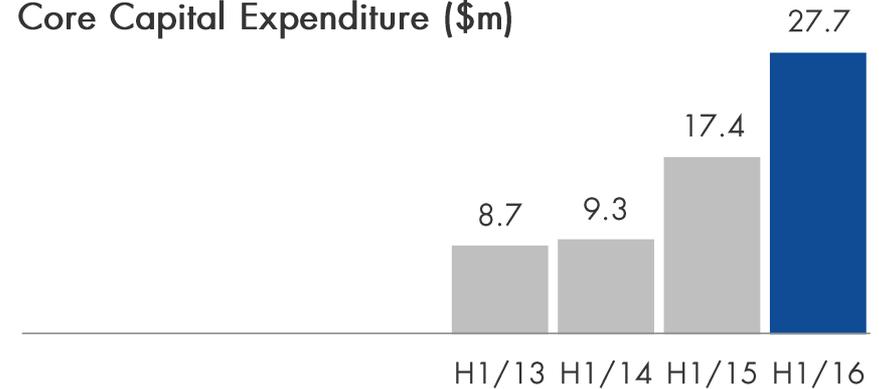
- Net Debt divided net debt plus equity
- Net Debt / Annualised H1/16 Underlying EBITDA

# CORE CAPITAL EXPENDITURE.

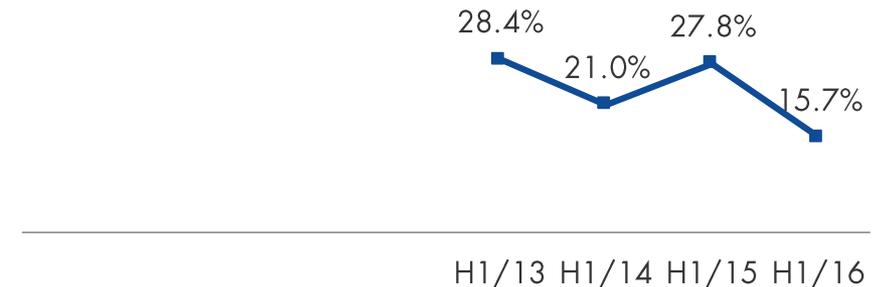
## INCREASED SCALE AND NETWORK REACH

- Investment in long-term infrastructure
- Scale increase following Amcom acquisition
- Predominantly spent on metropolitan fibre across the combined national fibre footprint
- Focus on high-yield builds – increasing network density

Core Capital Expenditure (\$m)



Core capex as % of revenue



Core capital expenditure represents additions to property, plant and equipment, measured on an accrued basis

# REVENUE GROWTH.

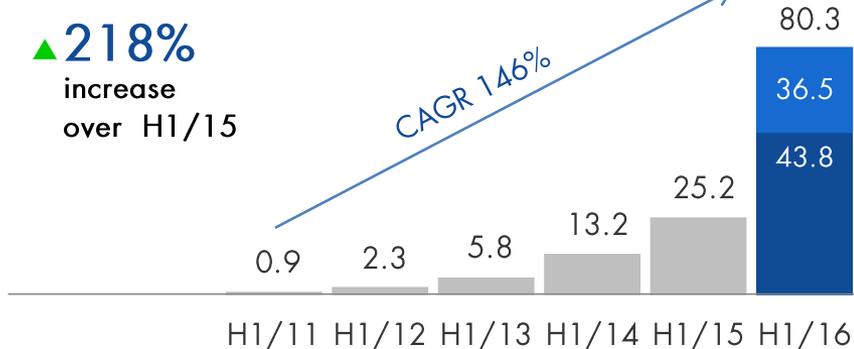
## SIGNIFICANT REVENUE GROWTH IN ALL SEGMENTS

Amcom

Fibre & Ethernet Revenue (\$m)

▲ **218%**  
increase  
over H1/15

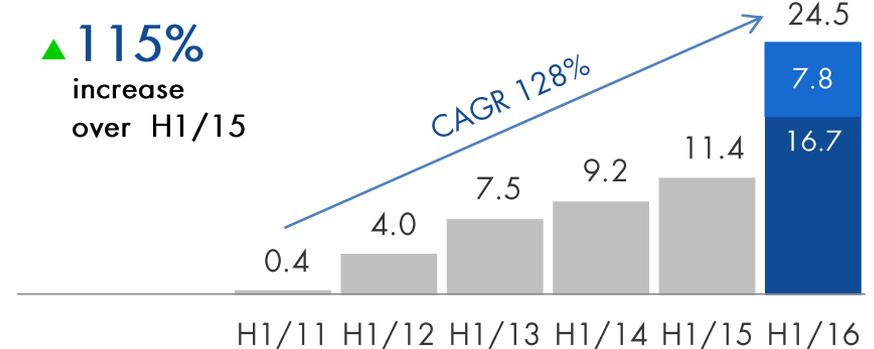
CAGR 146%



Data Centre Revenue (\$m)

▲ **115%**  
increase  
over H1/15

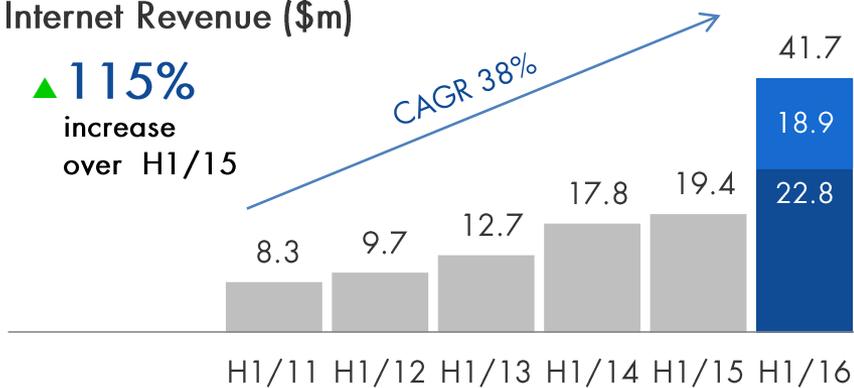
CAGR 128%



Internet Revenue (\$m)

▲ **115%**  
increase  
over H1/15

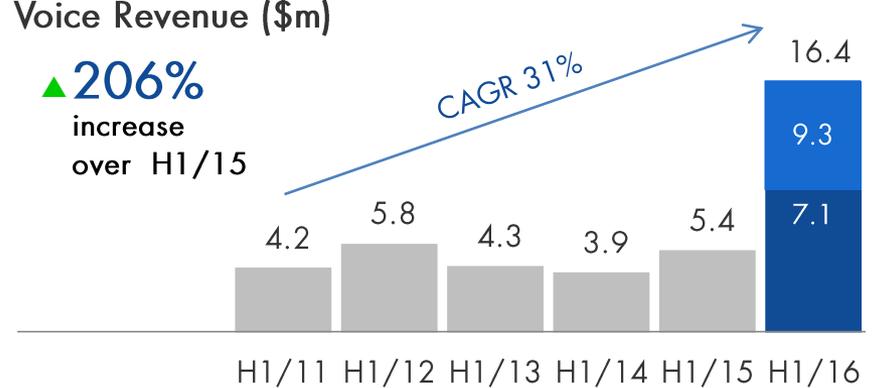
CAGR 38%



Voice Revenue (\$m)

▲ **206%**  
increase  
over H1/15

CAGR 31%

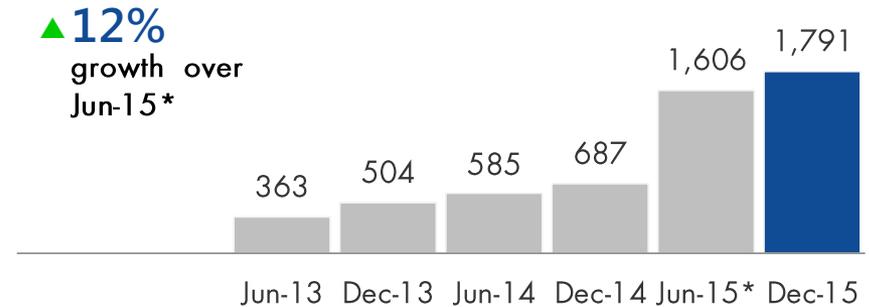


# FIBRE AND ETHERNET.

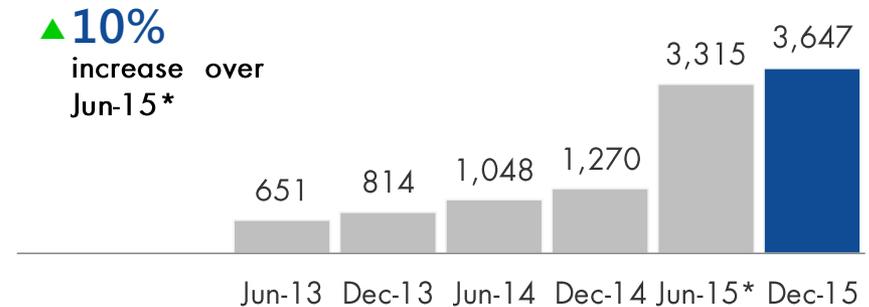
## INCREASING ON-NET BUILDINGS AND NETWORK DENSITY

- 1,791km of Australian fibre
- c. 4,500km of New Zealand fibre
- Focus on sale of more services in existing on-net buildings

### AU fibre network kilometres



### On-net buildings

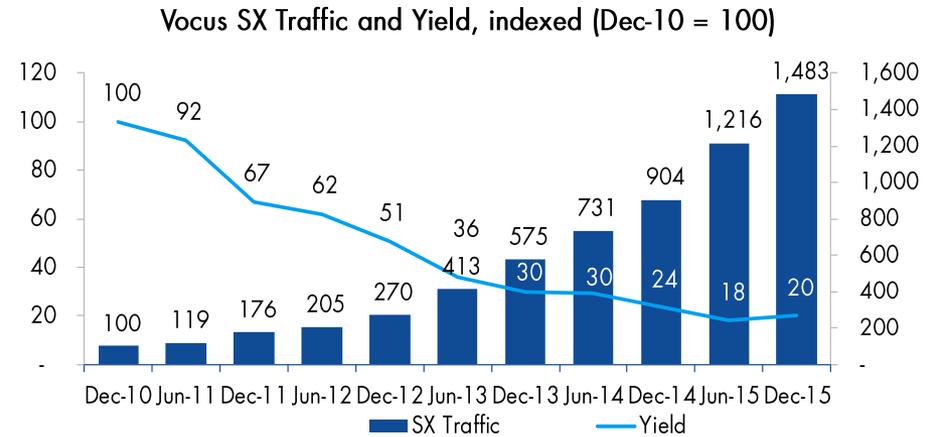


\* Jun-15 includes Amcom - 846 fibre network kilometres and 1,917 on-net buildings

# INTERNET.

## VOLUME GROWTH WITH YIELD IMPROVEMENT

- Improvement in Southern Cross yield in H1/16 following the addition of Amcom corporate internet
- 64% volume growth over H1/15



*Excludes residential DSL services*

# DATA CENTRES.

22 FACILITIES ACROSS 18 SITES, 8,027M<sup>2</sup>

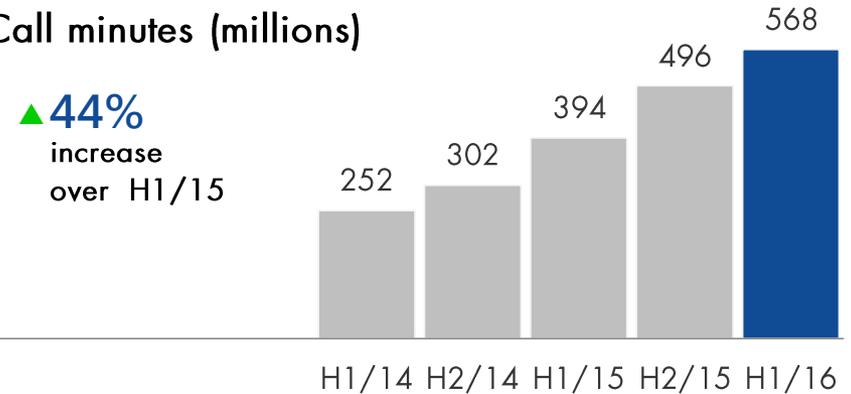
- Revenue increase largely arising from acquisitions of Amcom, EDC and Bentley data centres
- 76% utilisation
- Focus on improving utilisation and driving economies of scale



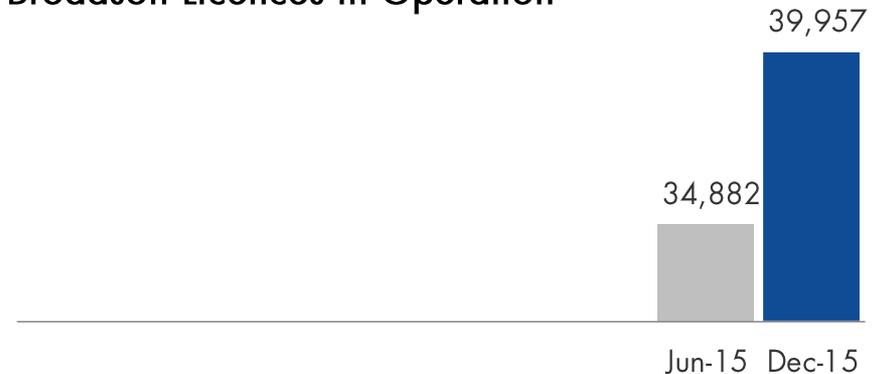
## AMCOM PRODUCTS COMPLEMENT WHOLESALE VOICE INFRASTRUCTURE

- Growth in voice volumes
- Focus on Broadsoft IP Tel platform acquired as part of the Amcom acquisition
- Valuable bundled service for enterprise customers

Call minutes (millions)



Broadsoft Licences in Operation



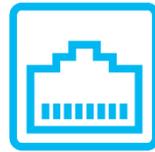
# M2 H1/16 RESULTS.

# M2 HIGHLIGHTS.

THE LAST SIX MONTHS...AT A GLANCE



Revenue up 29% and  
Underlying NPAT up  
17%



More than 40k NBN  
subscribers at Dec-15



Total net services  
growth of 72k since  
Jun-15



46% increase in  
operating cash flow

## LEADING CHALLENGER BRANDS

**iPRIMUS**

COMMANDER

dodo™

**CallPlus**

 orcon®

 slingshot

 flip

 talk

# M2 H1/16 HIGHLIGHTS.

## SOLID FINANCIAL RESULTS

Revenue

\$707.4m



29%

EBITDA

\$104.7m



22%

Underlying<sup>1</sup> NPAT

\$55.1m



17%

Operating Cash Flow

\$75.3m



46%

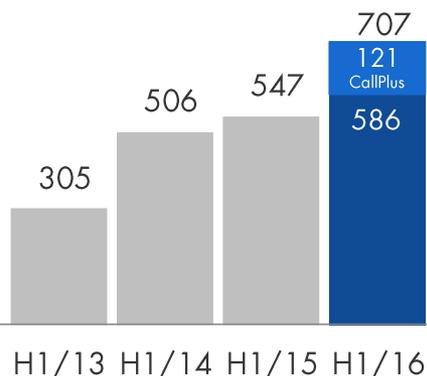
1. Underlying NPAT adjusted for a one-off tax benefit relating to prior period \$8.9m, and excludes the after-tax impact of amortisation of acquired customer contracts (\$12.9m)

# M2 HEADLINE RESULTS.

## STRONG OPERATING RESULT AND CASH FLOWS

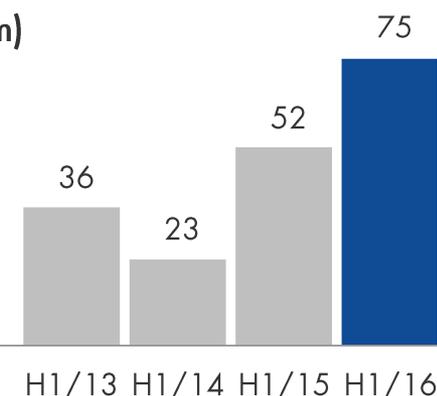
### Revenue (\$m)

▲ **29%**  
increase  
over H1/15



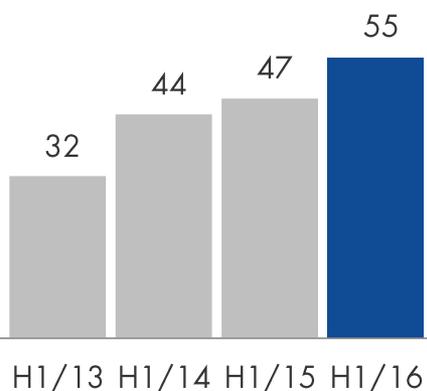
### Operating Cash Flow (\$m)

▲ **46%**  
increase  
over H1/15



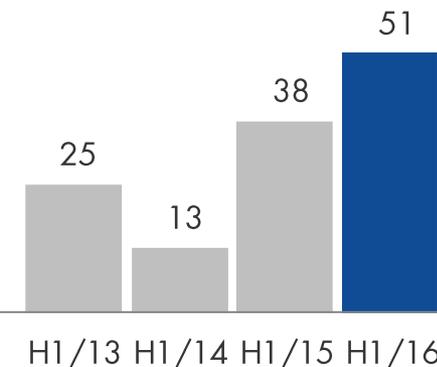
### Underlying NPAT (\$m)

▲ **17%**  
increase  
over H1/15



### Free Cash Flow (\$m)

▲ **35%**  
increase  
over H1/15



1. Underlying NPAT adjusted for a one-off tax benefit relating to prior period \$8.9m, and excludes the after-tax impact of amortisation of acquired customer contracts (\$12.9m)

# M2 BALANCE SHEET.

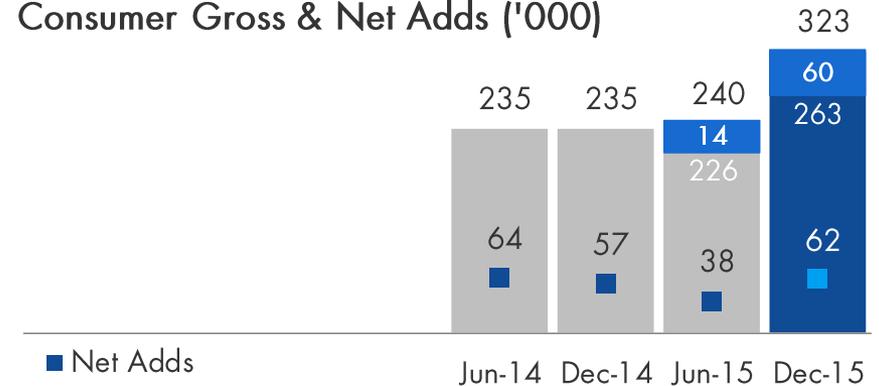
31-Dec-15 (\$M)	30 Jun 15	31 Dec 15
Cash at Bank	84.7	98.9
Other Current Assets	172.2	194.8
Goodwill / Intangibles	912.4	887.2
Other Non-Current Assets	106.5	114.3
<b>TOTAL ASSETS</b>	<b>1,275.8</b>	<b>1,295.2</b>
Borrowings (current)	16.5	22.1
Other Current Liabilities	303.2	313.2
Borrowings (Non-Current)	555.2	543.8
Other Non-Current Liabilities	42.7	40.9
<b>TOTAL LIABILITIES</b>	<b>917.6</b>	<b>920.1</b>
<b>NET ASSETS</b>	<b>358.2</b>	<b>375.1</b>
<b>NET DEBT</b>	<b>487.0</b>	<b>467.0</b>

# CONSUMER REVENUE GROWTH.

## GROWING SALES MOMENTUM

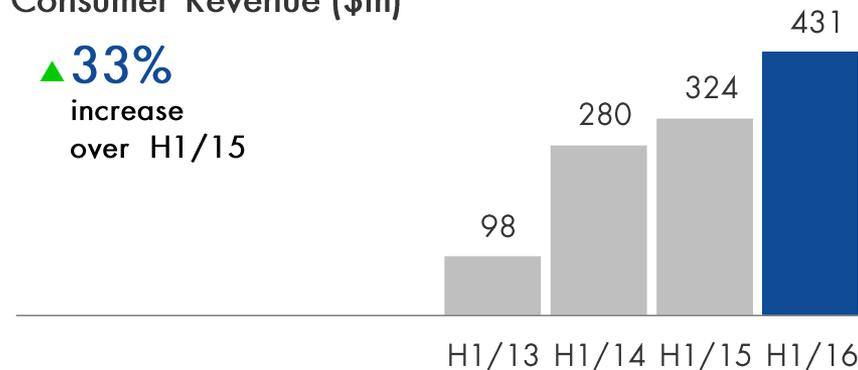
- Consumer revenue up 33%, with strong organic growth combined with CallPlus acquisition
- Strong sales momentum, with over 300k gross adds for the half, 62k net adds after churn
- Churn should reduce as infrastructure benefits of Vocus merger materialise

Consumer Gross & Net Adds ('000)



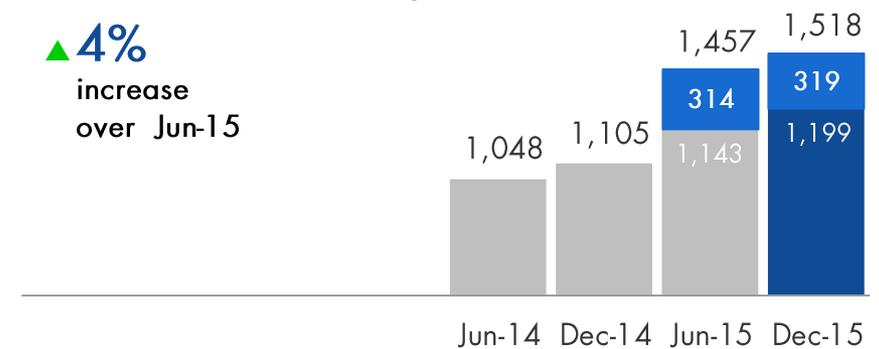
Consumer Revenue (\$m)

▲ 33% increase over H1/15



Consumer Services in Operation ('000)

▲ 4% increase over Jun-15



## REVENUE AND SERVICES IN OPERATION GROWTH

- Business and wholesale revenues up 24% from a combination of the CallPlus acquisition and organic growth
- Introduced new Rapid Fibre 400 product during the half leveraging Vocus fibre infrastructure

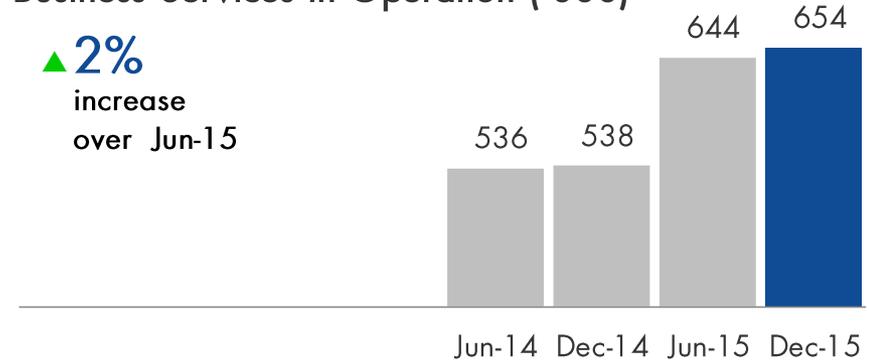
Business and Wholesale Revenues (\$m)

▲ 24%  
increase  
over H1/15



Business Services in Operation ('000)

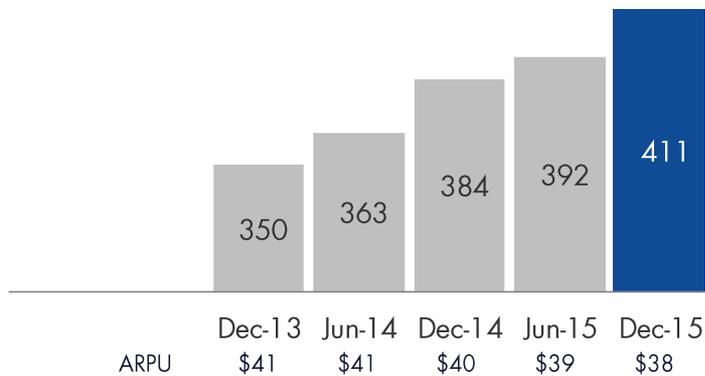
▲ 2%  
increase  
over Jun-15



# AUSTRALIA CONSUMER.

## SERVICES IN OPERATION

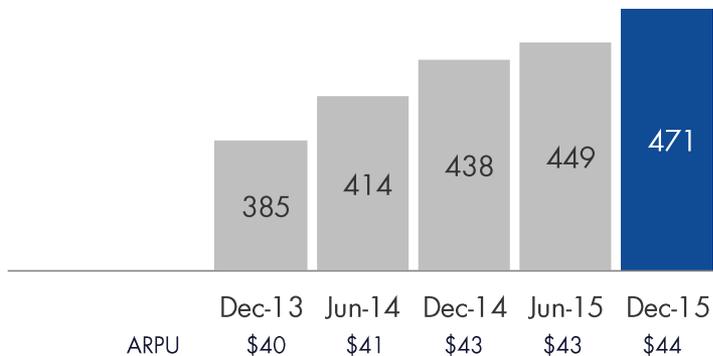
Fixed Voice ('000)



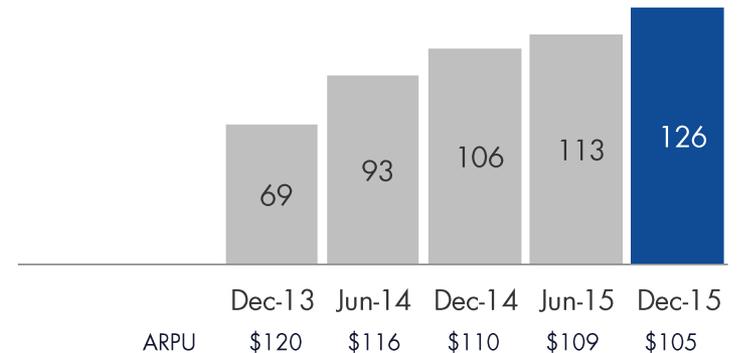
Mobile ('000)



Broadband ('000)



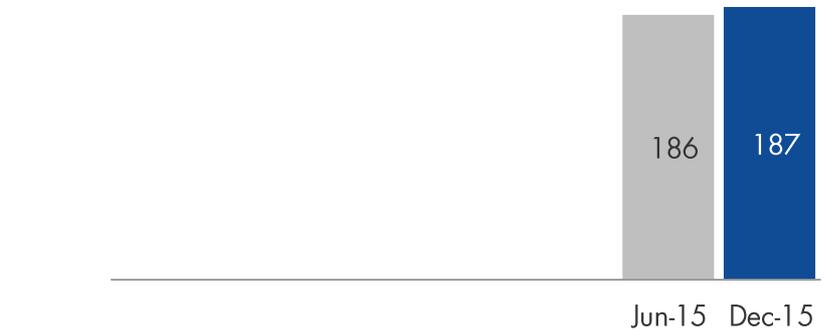
Energy ('000)



## SERVICES IN OPERATION

- Total users and average revenue per user increasing
- Repositioning of Slingshot ISP brand driving take up of bundles and unlimited offerings

Data ('000)



Fixed Voice ('000)

ARPU \$51 \$52



ARPU \$30 \$30

MERGED COMPANY.

VOCUS  
communications

M2

# CAPITAL STRUCTURE.

## CONSERVATIVE GEARING LEVELS

- M2 Scheme implemented on 22 February 2016
- 300.1m shares issued
- Total shares on issue 532.0m<sup>3</sup>
- Market cap of 4.0bn<sup>3</sup>
- Group refinancing envisioned in the near term

A\$m	31 December 2015
Borrowings	798.1
less Cash	(127.3)
<b>Net Debt</b>	<b>670.8</b>
Gearing Ratio <sup>1</sup>	17.5%
Net Leverage <sup>2</sup>	2.01x
Scheme consideration	2,265.0
M2 net assets at 31 December 2015	375.1

1. Net Debt divided net debt plus equity (Vocus 31 December equity plus consideration paid for M2)
2. Net Debt / Annualised H1/16 pro-forma Underlying EBITDA
3. As at 22 February 2016

# PRO-FORMA PROFIT & LOSS.

\$m	Vocus		M2		Pro-forma Merged Group <sup>1</sup>
	H1/15	H1/16	H1/15	H1/16	H1/16
Revenue	62.7	176.3	546.7	707.4	883.7
Underlying EBITDA	21.6	62.3	86.1	104.7	167.0
Underlying EBIT	13.6	41.2	63.0	68.5	109.7
Underlying NPAT	9.0	27.4	47.0	55.1	82.5

	Vocus H1/16	Pro-forma H1/16 <sup>2</sup>
Underlying diluted EPS	12.07c	15.63c ▲ 29%

1. As if Vocus had owned M2 during H1/16, and excludes synergies, intercompany or purchase price accounting adjustments

2. Pro-forma underlying NPAT divided by the Vocus weighted average shares at 31 December 2015 plus shares issued to M2 shareholders



# THE WAY FORWARD

# FIRST STEPS COMPLETE.



## INTEGRATION WORK UNDERWAY

- M2 rebranded to Vocus
- Leadership structure established
- Synergies of \$40 million expected, with full realisation by the end of FY18



*Offices rebranding to Vocus*

# AMCOM INTEGRATION.



## INTEGRATION ON TRACK

- ✓ Rebrand to Vocus completed 1 Feb
- ✓ Aligned product and pricing strategies
- ✓ Standardised governance
- ✓ Divested non-core IT Services division
- ✓ Systems integration continuing



# IN CLOSING...

- ✓ Focus on what we're great at
- ✓ Inspired, empowered people
- ✓ Great brands and products
- ✓ Straightforward service



**TO BE THE MOST AWESOME  
BUSINESS ON THE PLANET!**



# CONTACTS.



**JAMES SPENCELEY**  
EXECUTIVE DIRECTOR

**GEOFF HORTH**  
CEO

**RICK CORRELL**  
CFO

**LEVEL 1, VOCUS HOUSE  
189 MILLER STREET  
NORTH SYDNEY**

**P: +61 2 8999 8999**

**F: +61 2 9959 4348**

**E: [vocus@vocus.com.au](mailto:vocus@vocus.com.au)**

**[www.vocus.com.au](http://www.vocus.com.au)**

# APPENDICES.

# OPERATING SEGMENTS.

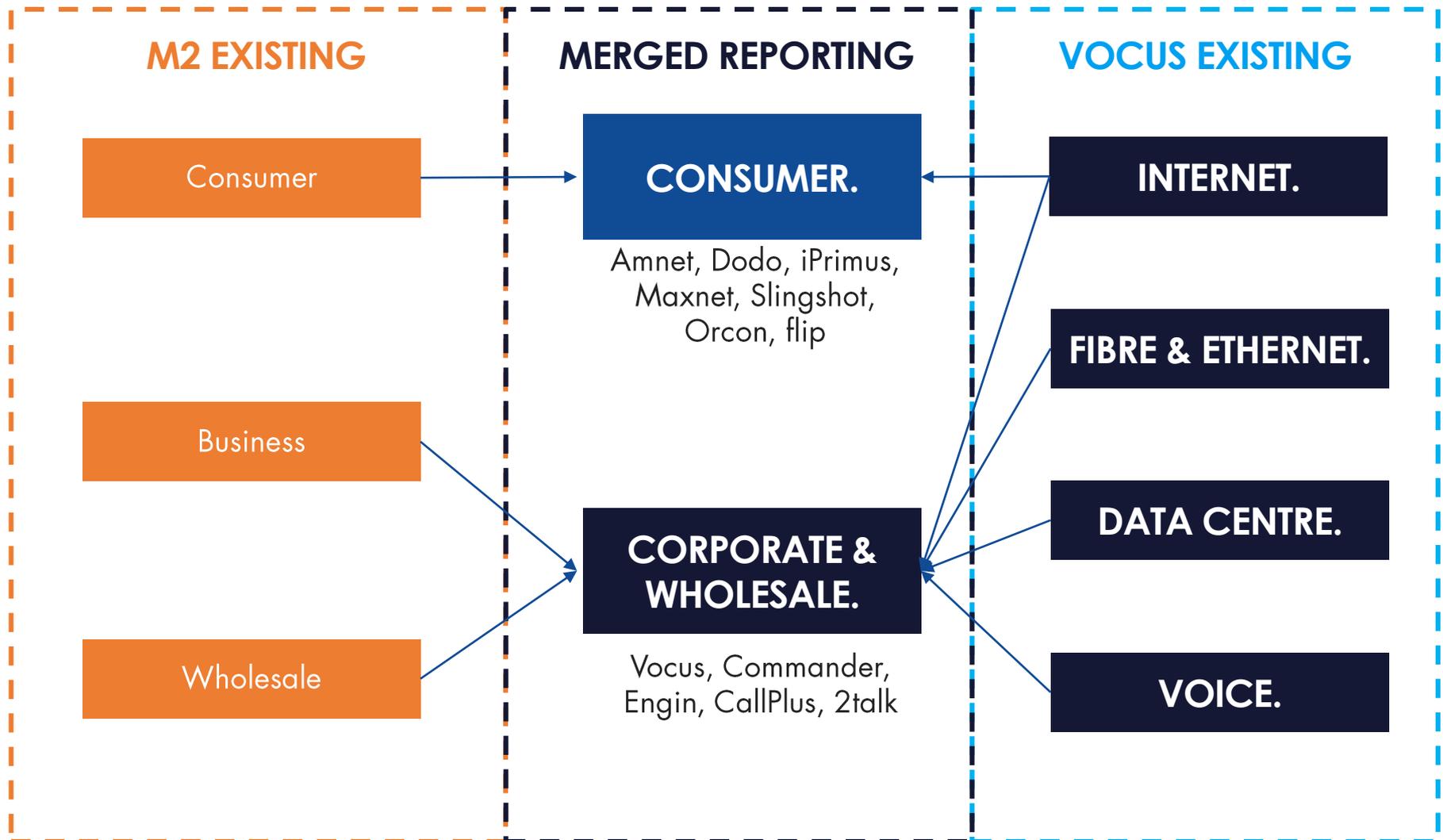
- The merged company will report its operating segments on a geographic basis
- Reporting geographically represents the vertically-integrated nature of the combined business going forward

**AUSTRALIA.**

**NEW ZEALAND.**

# REVENUE SEGMENTS.

## REVENUE DISCLOSURE TO ASSIST INVESTORS IN ADDITION TO OPERATING SEGMENTS



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