

1H15 Results

Presented by:
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amcom

Summary 1H FY15



Continued strength in data network sales notwithstanding resource sector slowdown in WA

Core data network revenue up 13%



Continued momentum in Unified Communications



Difficult operating environment for IT services



Expanded network footprint along East Coast

- › Acquisition of Megaport fibre network
 - › Rollout of Ethernet First Mile (EFM) - Melbourne, Sydney and Brisbane
-



Entered into proposed transaction with Vocus Communications to create a \$1b + national Telco across Australia and NZ

Financial Highlights

Profit Summary (\$m)	1H14	1H15	Var%
Revenue	82.9	80.7	▼ 3%
EBITDA	22.4	23.0	▲ 3%
EBIT	17.0	16.2	▼ 5%
NPAT (before significant items#)	11.5	11.0	▼ 4%
NPAT (reported)	11.0	9.3	▼ 16%
EPS (before significant items#*)	4.7c	4.1c	▼ 13%
Interim dividend per share	2.2c	5.0c	▲ 127%

Excluding IT Services (\$m)	1H14	1H15	Var%
Revenue	60.9	67.3	▲ 10%
EBITDA	21.2	23.4	▲ 10%

Significant items comprise acquisition and scheme implementation costs

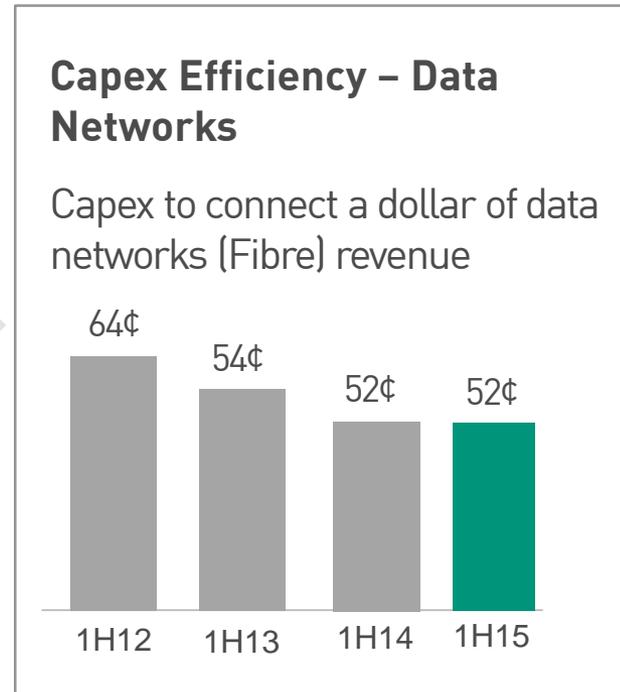
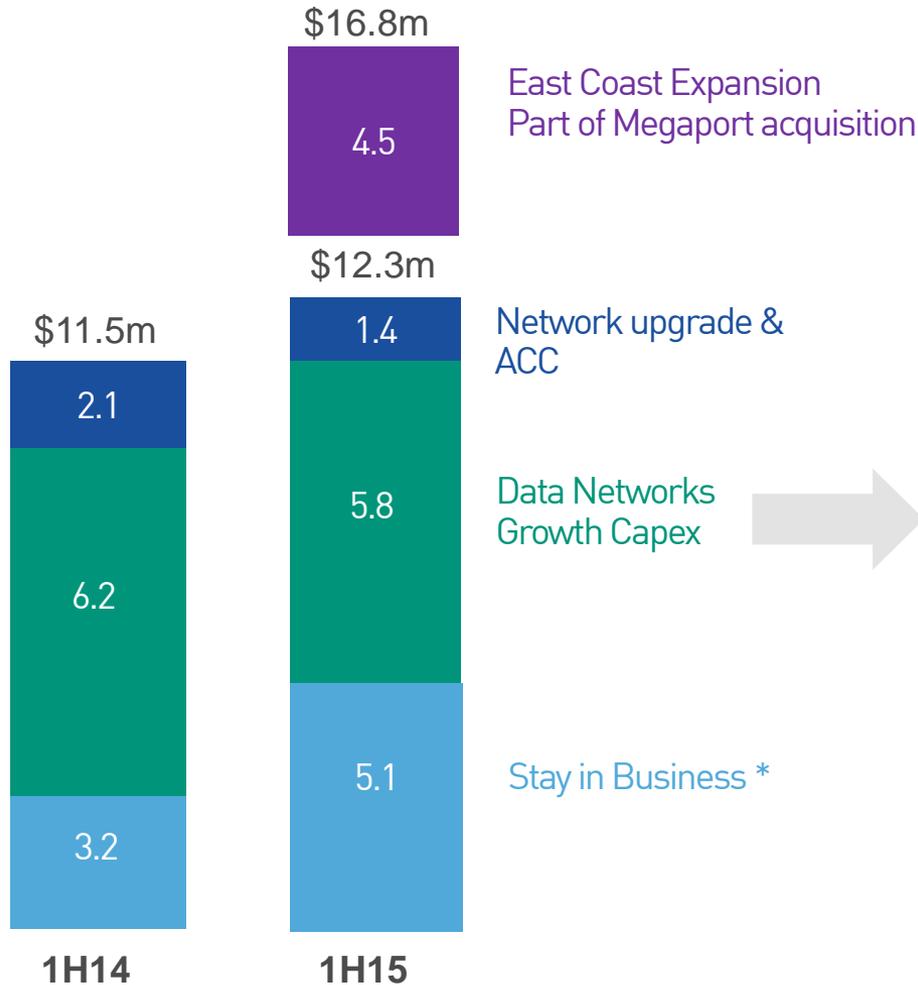
* Impacted by equity raising in June 14

Cash Flow

(\$m)	1H14	1H15	Var %
EBITDA	22.4	23.0	▲ 3%
Interest paid (net)	(1.0)	(0.6)	
Tax paid and other *	(1.9)	(4.0)	
Operating cash flow before working capital	19.5	18.4	
Working capital *	(2.6)	(5.0)	
Operating cash flow	16.9	13.4	▼ 21%

* Operating cashflow variances to pcp largely timing differences expected to normalise in second half

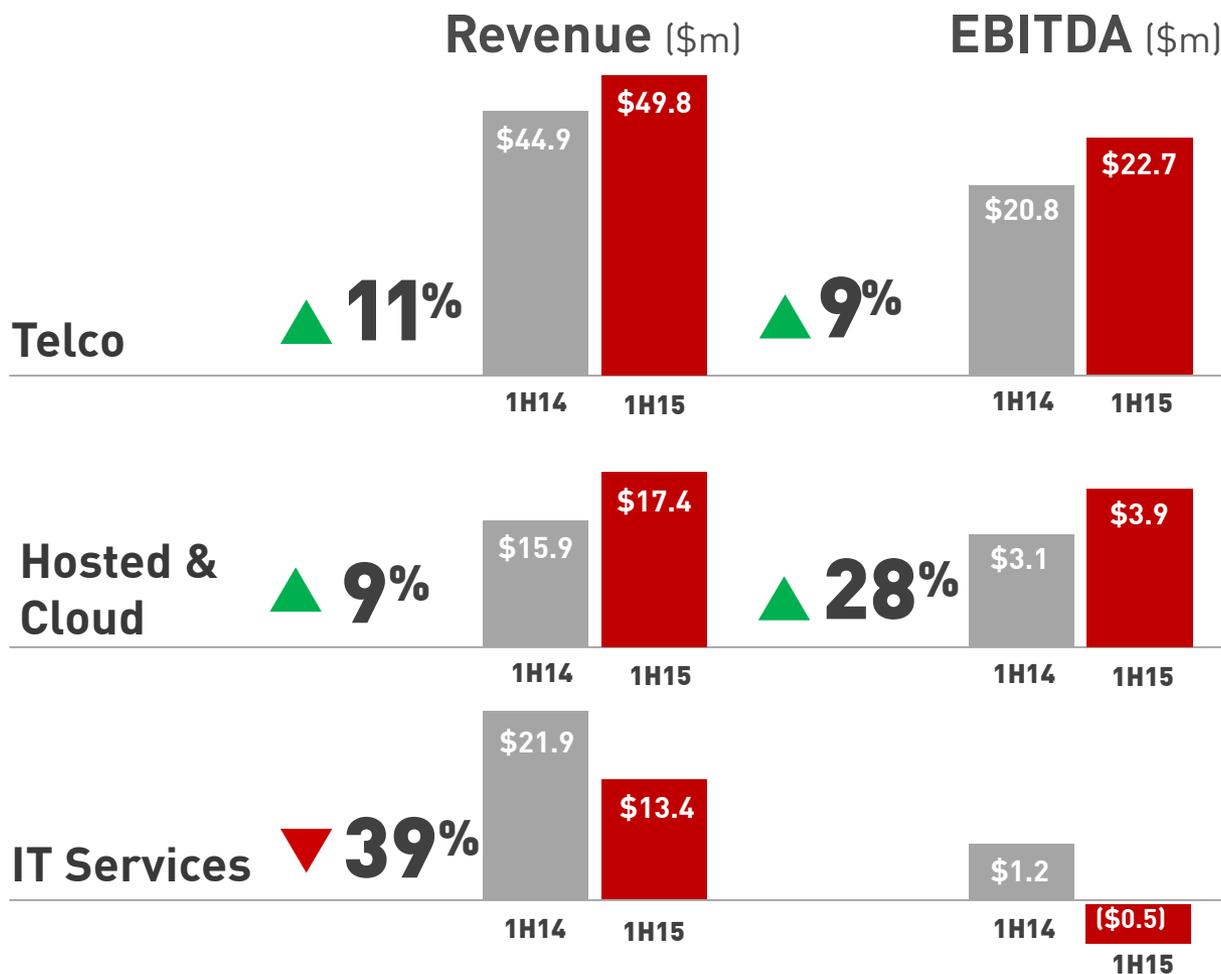
Payments for PPE and Intangibles



* Stay in business includes:
 Fibre & associated network infrastructure not attributed to customer connection
 Data centre upgrades
 IT development, software and back of house systems

Segment Results

Core business based upon annuity revenue continues to perform strongly. IT Services impacted by slowing resource sector in WA.



Telco Update



Sales
\$2m+ pm



49%
EBITDA



EFM
Launch
Mel-Syd-Bris

- › Record data network sales in 1H > \$2m pm
- › Continued focus on larger deals to drive meaningful growth in sales
- › Connections of recent large contract wins deferred to 2H, marginal increase in cancellations
- › Data network EBITDA margin 49%
- › Cross selling new capabilities to drive greater share of wallet from existing customers
- › Megaport acquisition and rollout of Ethernet First Mile (EFM) in Melbourne, Sydney and Brisbane expands physical network footprint

East Coast Infrastructure Strategy



Fibre Network



Ethernet First Mile



Long Term Fibre Lease

	SYD	MELB	BRIS
Acquisition			
Organic			
Organic			

Announced Q2 15

Hosted and Cloud Update



12k
seats sold
up 75%



Pipeline
Building



90%
Utilisation

- › Strong Unified Communications (UC) offerings on leading global platform (Cisco and Broadsoft) providing customer choice
- › UC sales increased by 5.4k seats on pcp to 12k, up 75%
- › UC pipeline building, particularly in Government and Higher Education
- › University of Melbourne (14k seats) on track to commence billing Q4
- › Data Centre utilisation at 90%

IT Services Update



IT Spend
Deferred



Right-size
Cost base

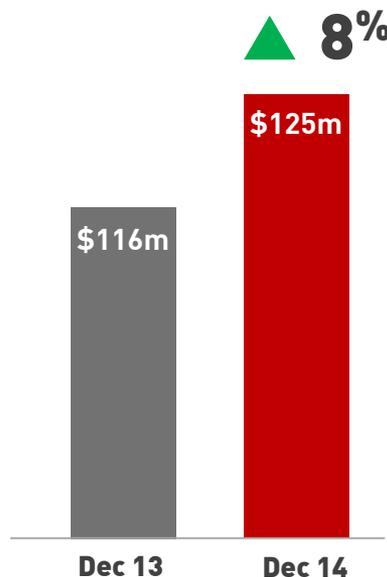


Profit
up 2H

- › WA resource economy impacting all IT service companies as IT services are largely discretionary spend, now being deferred
- › Cost base in 2H has been reduced to match market conditions and customer spending patterns
- › Continuing to develop more managed services which drive annuity and align to core business
- › Expect profitable 2H

Recurring Revenue Base (RRB)

- › RRB increased to \$125m, up 8% on pcp
- › Record data network sales in 1H >\$2m (annualised) per month
- › Deferred customer delivery of \$2m data network connections to 2H



Annuity revenue streams of Telco, Cloud & Hosted typically ~ 90% of earnings

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Driving Shareholder Value

“ Highly complementary combination with Vocus to significantly enhance market position – sales distribution, network coverage and product suite ”

Tony Grist, Chairman Amcom

Strategic Rationale



Complementary Businesses

- › **Enhanced distribution and broader market reach**
 - Amcom – Government/Corporate; Vocus – Corporate/Wholesale
- › **Significant Australia and NZ Data Network and Data Centre footprint**
 - 2,700 on-net buildings in Australia
 - 20 data centres in Australia and NZ
 - ~ 4,200km of fibre in NZ



Benefits of Scale

- › **Enhanced scale of the combined entity likely to improve competitive position and lower cost base**
 - Leverage existing fixed cost base
 - Significant cost synergies through supply savings and scale/volume discounts



Enhanced Growth Profile

- › **National fibre footprint, compelling product offering and an enhanced distribution network likely to drive significant growth for the combined entity**
 - Revenue synergies to be driven by cross-selling the combined product suite
- › **Improved base to pursue further growth (i.e. ongoing industry consolidation; improved access to funding)**



Significant Value to Amcom Shareholders

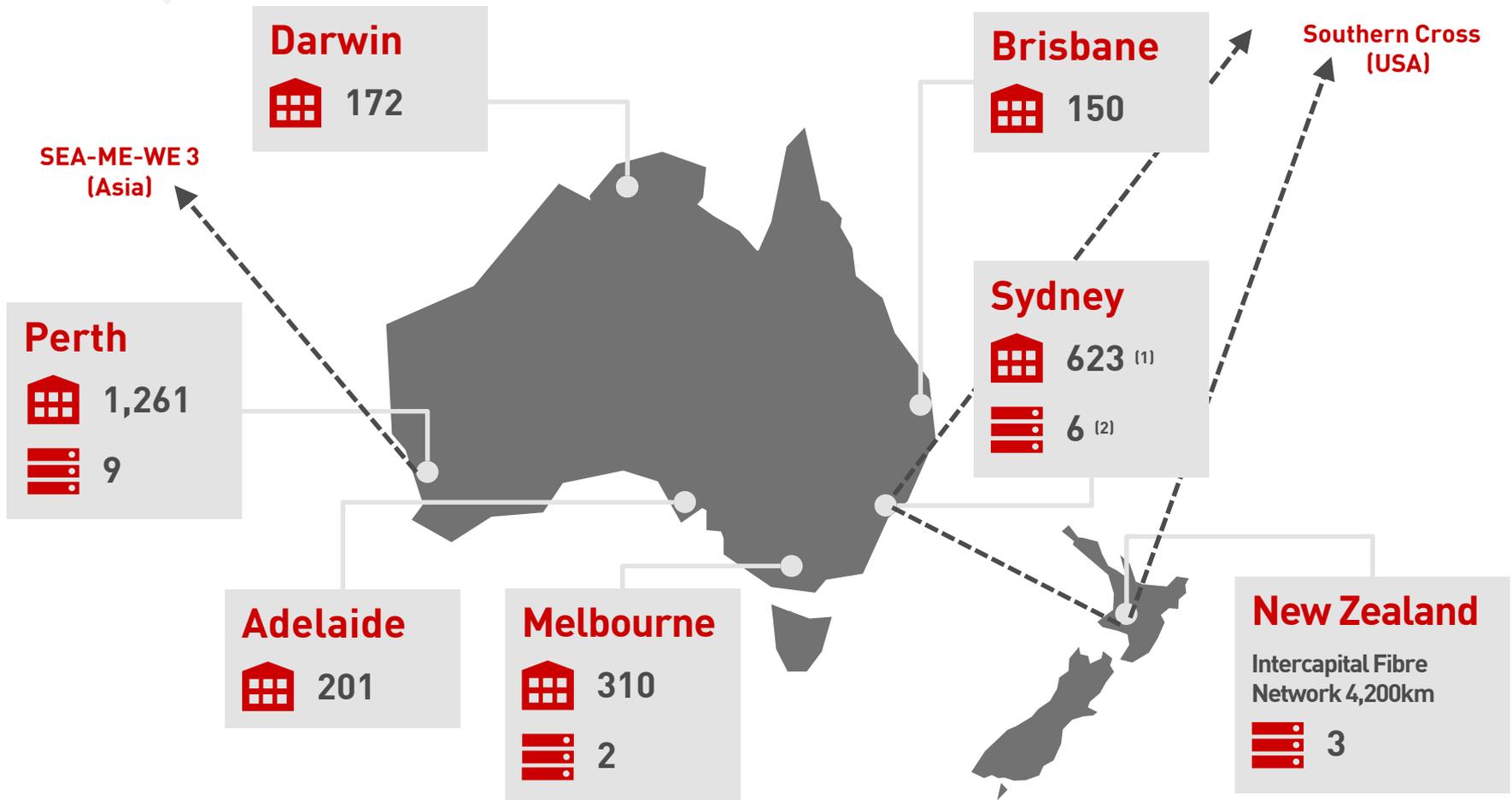
- › **Implied premiums of:**
 - 31.7% based on pre-approach closing share price⁽¹⁾
 - 28.7% based on 30 day pre-approach VWAP⁽¹⁾
- › **Implied FY14 EV/EBITDA and P/E multiple of >14x and ~29x respectively⁽²⁾**
- › **Earnings and cash flow accretive to Amcom shareholders in first full financial year following completion⁽³⁾**

(1) Based on Amcom and Vocus pre-approach share prices of \$1.86 and \$5.31 and 30 day VWAPs of \$1.94 and \$5.40 respectively as at 24 October 2014.

(2) Based on Amcom's implied pre-approach value of \$2.45 per share and FY14 EBITDA and underlying NPAT of \$46.7m and \$23.2m respectively.

(3) Before Scheme transaction and integration costs, and the earnings impact of any purchase price accounting allocations.

National Footprint with International Reach



 Number of fibre connected Buildings  Number of Data Centres

(1) Inclusive of 108 Buildings in Newcastle, 2 Buildings in Wollongong and 1 Building in Canberra
(2) Inclusive of 3 Data Centres in Newcastle

Complementary Businesses

A combination of Amcom and Vocus is highly complementary, with significant cross selling opportunities and limited overlap of assets

		Amcom	Vocus	Combined
 Infrastructure	Fibre Networks	Perth, Adelaide, Darwin, Sydney, Melbourne, Brisbane	Melbourne, Sydney, Brisbane, Newcastle, NZ	Significant national fibre footprint in Australia & NZ
	Ethernet First Mile (EFM)	Perth, Adelaide, Darwin, Melbourne ⁽¹⁾ , Sydney ⁽¹⁾ , Brisbane ⁽¹⁾	-	Complementary national footprint leveraging national sales force
	Data Centres	Perth	Perth, Melbourne, Sydney, Brisbane, Newcastle, NZ	DC footprint in key markets
 Capacity	Internet & International Capacity	Purchased as required through third part suppliers	Owned capacity on Southern Cross and Sea-Me-We3	Potential for increased sales via enhanced competitive position and low cost base
 Additional Services	Unified Comms / Voice	Cisco/Broadsoft (national deployment)	Wholesale Voice (calls)	Strong cross selling opportunity in East Coast and NZ
 Distribution	Indirect Sales	~300 channel partners nationally	~60 channel partners nationally	Enhanced distribution to drive sales across national infrastructure
	Direct Sales	Strong corporate and government focus	Corporate	Enhanced go to market know-how for potential East Coast government sales
	Geographic	National with core customer base in WA,SA & NT	National with core customer base in NSW, QLD, VIC, ACT & NZ	Complementary – minimal overlap

(1) Currently establishing 30 Exchanges, ready for service by March 2015.

Combination Synergies

Combination is expected to generate cost synergies of ~\$13-\$15m p.a. by end of FY17, with potential for significant revenue synergies

Cost Synergies



Significant supply savings through integration of national networks

- › Reduction of third party tails
- › Reduction in IP Transit and Voice expenditure
- › Scale / volume discounts

Revenue Synergies



Cross-selling of combined product suite

- › Amcom selling on Vocus' East Coast and NZ network (e.g. via existing sales channels)
- › Vocus selling on Amcom network and enhanced Unified Communications product offering (e.g. ACC, Broadsoft)

Summary and Outlook



Amcom core business continues to grow through strong sales



Unified Communications ideally positioned to gain traction across Vocus customer base



IT Services business right sized and expect profitable 2H



Amcom's strong sales and marketing capabilities will drive further value for the combined entity

Given the status of the proposed merger, the company believes it is not appropriate to provide stand-alone FY15 earnings guidance

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