

macquarie
TELECOM



Full Year Results 2013

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22 August 2013

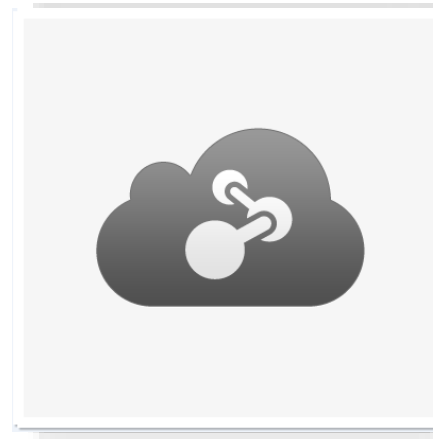


CEO Presentation

David Tudehope

Strategic objective

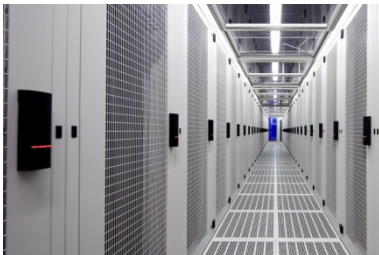
Australia's number one Managed Hosting, Cloud and Telecommunications provider to business and government customers through the delivery of service excellence



Macquarie Telecom at a glance

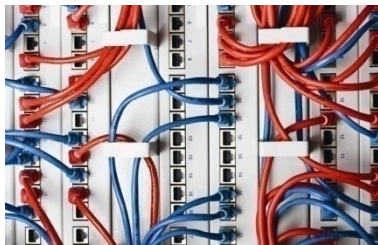


Macquarie Telecom delivers a range of Hosting, Cloud, Data, Mobile and Voice services specifically to the business and government market.



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.

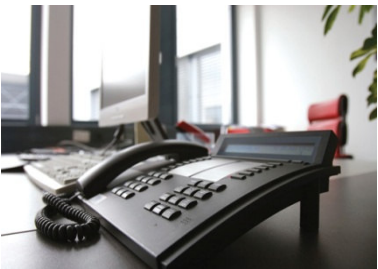


Telco Division

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 tailored 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.



Key Financial Highlights

- EBITDA profit of \$35.1 million down 13.5% on pcp, in-line with guidance, impacted by longer than expected lead times in realising the contracted revenue of some large government and corporate deals signed over the past twelve months.
- NPAT \$11.3 million down 42.1% on pcp.
- Fully franked final dividend of 12.0 cps, with total FY13 dividend 24.0 cps fully franked.
- \$50 million working capital facility to support strategic growth opportunities of which \$9 million was drawn as at 30 June 2013.

Investing for Future Growth



Cloud
Computing



Intellicentre 2



Federal
Government



Mobility -
Bring Your
Own Device



National
Broadband
Network

Cloud Computing

Achievements in FY2013



- In FY13 the new “LAUNCH” Cloud product set was developed and released. It provides customers with best-in-class managed cloud hosting at the click of a mouse.
- Further automation of hosting services allows customers to quickly provision services quickly online, across multiple availability zones.
- Ninefold’s new Cloud Computing offering was developed in FY13 to provide customers with what we term the “Simplicity of PaaS with the Flexibility of IaaS”.

Intellicentre 2

Achievements in FY2013



- Official opening by the Prime Minister in September 2012.
- Approximately 700kW contracted as at 30 June 2013, ahead of plan.
- Additional megawatt of IT Load installed.
- 8 megawatt total capacity (4 megawatt IT Load) to be provisioned in line with customer demand.
- Not just co-location at IC2 – 2nd availability zone for Ninefold plus managed hosting products.
- Certifications received include for Tier III design, ISO 27001, PCI DSS, ASIO T4 and Microsoft Partner - Gold Certified.

Federal Government

Achievements in FY2013



- Won Department of Agriculture, Fisheries and Forestry (DAFF) and Prime Minister and Cabinet (PMC) agency clusters.
- Invested \$15m in data centre infrastructure – Intellicentre 4 - and customer equipment in Canberra to deliver to the Lead Agency Secure Internet Gateway program.
- Intellicentre 4 construction in Canberra completed in July 2013. The facility is now operational.
- Opportunity to provide additional Hosting services in the future to these agencies.
- Intellicentre 4 to become the 3rd availability zone for managed hosting products.



- Unique multi mobile carrier offering.
- Launched Mobility Manager – a SAAS product that enables CIOs to manage their mobile fleet and employee owned devices.
- Macquarie Telecom, like other Telco providers, will be a wholesale customer of the new NBN, acquiring network services which in turn will enable Macquarie Telecom to provide services to our retail customers.
- Our NBN for Business Product was launched in late FY2013 with pilot sites in Hobart, Launceston and Darwin.

The background of the slide is an abstract composition. It features several overlapping circles in shades of light blue and white. From the top corners, there are numerous thin, radiating lines in a vibrant blue color, creating a sunburst or starburst effect. The overall color palette is cool, dominated by blues and whites.

CFO Presentation

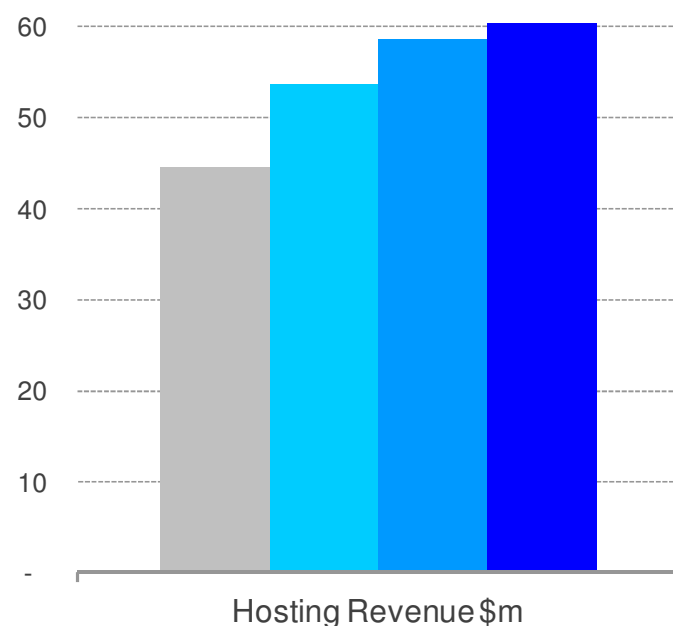
Michael Simmonds

Profit Statement

\$m	FY13	FY12	Change
Revenue	206.2	218.9	(5.8%)
EBITDA	35.1	40.6	(13.5%)
EBIT	15.3	24.4	(37.2%)
NPAT	11.3	19.6	(42.1%)
EPS (cps)	54.0	93.4	(42.1%)

- EBITDA profit of \$35.1 million down 13.5% on pcp.
- EBIT profit of \$15.3 million down 37.2% on pcp.
- NPAT \$11.3 million down 42.1% on pcp.
- EPS of \$0.54 down 42.1% on pcp.

Revenue



- Hosting revenue increased 3.3% on pcp.
- Telco revenue down 9.1% on pcp primarily due to reduction in:
 - (i) Voice as further price competition and fixed to mobile and data substitution continues; and
 - (ii) Mobiles due to impact of Vodafone network issues.
- Total revenue down 5.8% on pcp.

Revenue \$m	Data	Voice	Mobiles	Telco	Hosting	Total
FY10	58.6	104.1	28.7	191.5	44.5	236.0
FY11	59.2	86.4	28.2	173.7	53.7	227.5
FY12	62.4	76.2	21.7	160.3	58.5	218.9
FY13	61.0	65.8	18.8	145.7	60.5	206.2
FY13 v FY12	(1.4)	(10.4)	(2.9)	(14.6)	1.9	(12.7)
% change	-2.2%	-13.6%	-13.2%	-9.1%	3.3%	-5.8%

EBITDA

EBITDA \$m	Data	Voice	Mobiles	Telco	Hosting	Corp Office	Total
FY10	3.4	15.0	1.9	20.3	15.2	(6.5)	29.0
FY11	8.8	16.2	3.6	28.6	14.5	(5.9)	37.2
FY12	10.4	17.5	3.4	31.2	15.3	(6.0)	40.6
FY13	11.2	16.2	2.0	29.4	11.1	(5.4)	35.1
FY13 v FY12	0.8	(1.3)	(1.4)	(1.9)	(4.2)	0.6	(5.4)
% change	7.7%	-7.2%	-41.6%	-5.9%	-27.3%	-10.3%	-13.5%

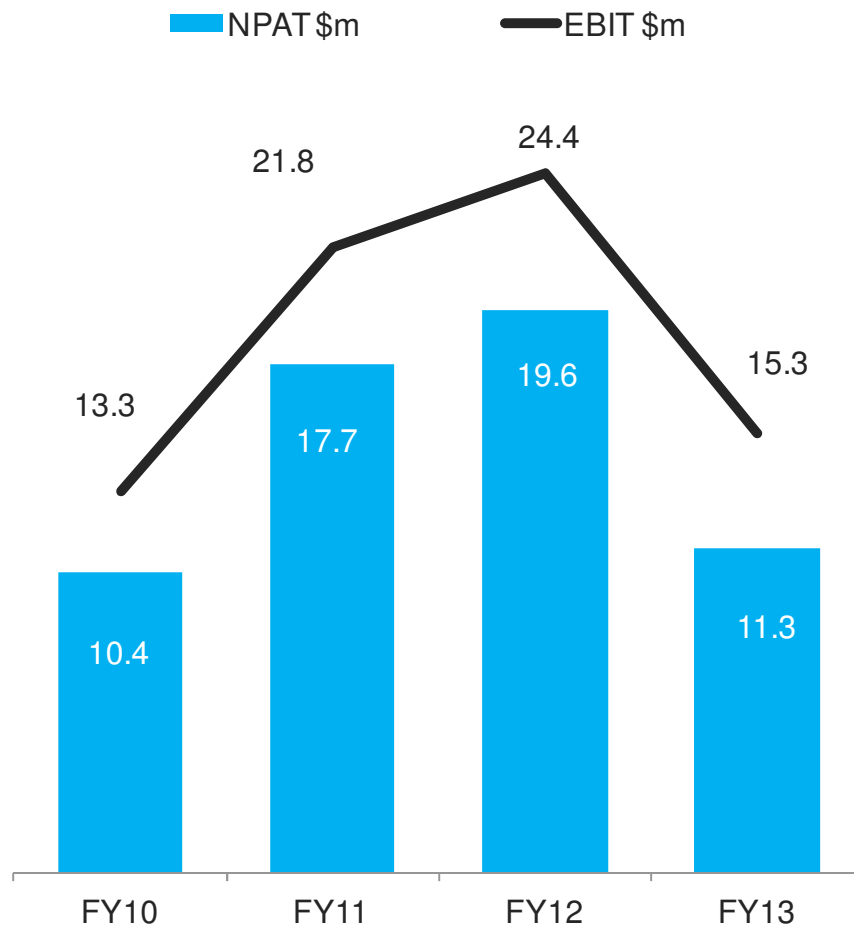
- EBITDA profit of \$35.1 million down 13.5% on pcip.
- Hosting EBITDA of \$11.1 million was down \$4.2 million on pcip. The decrease was primarily attributable to the combination of realisation delays and flat revenue in its Managed Hosting business caused by price reductions and the incremental costs associated with investments in automation, service assurance and other staff costs.
- Telco EBITDA down 5.9% on pcip to \$29.4 million due to lower revenue.

Impact of Investments on Hosting EBITDA

\$m	FY13	FY12	Change
Government	(2.6)	0.0	(2.6)
IC2	(0.6)	(1.2)	0.5
Ninefold	(2.2)	(4.3)	2.1
Total	(5.4)	(5.5)	0.1

- Investment in additional staff to satisfy Federal Government contracts that will start progressively generating revenue in 1H14.
- Intellicentre 2 enters fiscal 2014 generating positive EBITDA.
- Ninefold 's investment to continue in FY14.

EBIT & NPAT



The change in NPAT is a planned consequence of the significant capital expenditure program completed during the period resulting in:

- a) increased depreciation and amortisation charges.
- b) reduced interest revenue.

Balance sheet

\$m	FY13	FY12
Cash and cash equivalents	9.7	30.8
Gross Trade Debtors & WIP	12.0	12.2
Other Assets	118.8	85.0
Total Assets	140.5	128.0
Creditors	30.3	29.8
Short and Long Term Debt	9.0	0.0
Other Liabilities	3.6	6.9
Total Liabilities	42.9	36.7
Total Equity	97.6	91.3

- Cash and Cash equivalents net of debt of \$0.7 million.
- Strict working capital management.
- \$50 million working capital facility to support strategic growth opportunities of which \$9 million was drawn as at 30 June 2013.
- Fully franked final dividend of 12.0 cps, with total FY13 dividend 24.0 cps fully franked (FY12 24.0 cps).

Cash flows

\$m	FY13	FY12
Cash flows from Operating Activities	26.1	34.0
Cash flows from Investing Activities	(51.5)	(51.9)
Cash flows from Financing Activities	4.0	(4.8)
Net Increase/(Decrease) in Cash Held	(21.5)	(22.7)
Opening Cash & Cash Equivalents	30.8	53.5
Effects of exchange rate changes	0.4	0.1
Closing Cash & Cash Equivalents	9.7	30.8

- Strong operating cash flows continue.
- Investment in expanding data centre capacity.
- Intellicentre 2 additional megawatt now installed.

FUTURE FOCUS

- Delivery of Secure Internet Gateway services to contracted DAFF and PMC agency clusters in IC4.
- Co-location sales into IC2.
- Continued automation of both Hosting and Telco products.
- Leveraging unique multi-carrier mobile offering.
- Continued investment in developing our Cloud Computing offerings.

- EBITDA profit for the first half of fiscal 2014 is expected to be similar to that of the second half of fiscal 2013 due to longer than expected lead times in realising the contracted revenue of some large government and corporate deals signed over the past twelve months.
- Full year guidance will be provided with the half year results in February 2014.
- Capital expenditure for fiscal 2014 is expected to be approximately \$30 million which is split as:
 - \$7 million for the expansion of hosting capacity in Sydney and Canberra; and
 - \$23 million on business as usual capital expenditure.
- Depreciation for fiscal 2014 is expected to be between \$24 million and \$26 million. The increase on last year being primarily attributable to depreciation associated with Intellicentre 2 and Intellicentre 4.



Questions

Macquarie Telecom Group Ltd
Full Year Results 2013

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