

Half Year Results 2013

David Tudehope & Michael Simmonds

21 February 2013

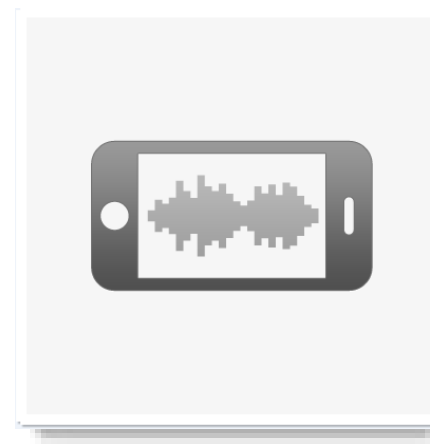
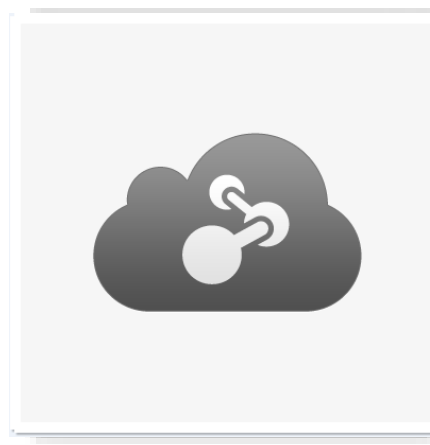
The background of the slide is an abstract composition. It features a light blue and white color palette. There are several overlapping, semi-transparent circles of varying sizes scattered across the frame. From the top corners, there are numerous thin, parallel lines radiating downwards, creating a sunburst or starburst effect. The overall aesthetic is clean, modern, and professional.

CEO Presentation

David Tudehope

Strategic objective

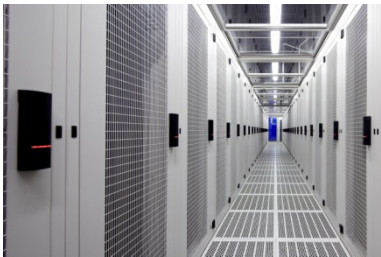
Australia's number one Managed Hosting, Cloud and Telecommunications provider to business and government customers through the delivery of service excellence



Macquarie Telecom at a glance

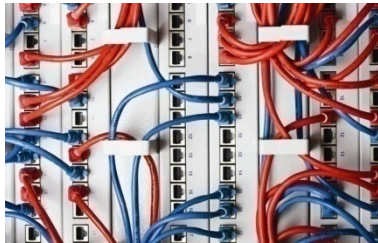


Macquarie Telecom delivers a range of Hosting, Cloud, Data, Mobile and Voice services specifically to the business and government market



Hosting Division

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

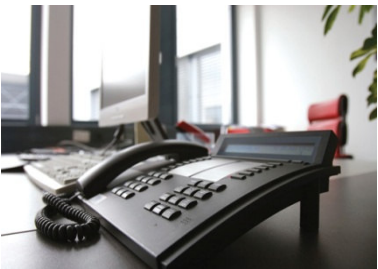


Telco Division

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 all three 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



Opportunities for Growth



Cloud
Computing



Intellicentre 2



Federal
Government



Mobility -
Bring Your
Own Device



National
Broadband
Network

Cloud Computing



- Growth in private cloud as software automation changes the provisioning and monitoring experience
- Growth in enterprise public cloud as more enterprises become comfortable with shared environments for their new applications and test and development
- Growth in developer public cloud as developers look for the ease of PAAS and the flexibility of IAAS to make the deployment of code easier

Cloud Computing Models



Infrastructure
as a Service

Fully managed



For CIO / IT

Self managed



Platform
as a Service

Self managed



For Developers



Software
as a Service

Self managed



For End Users

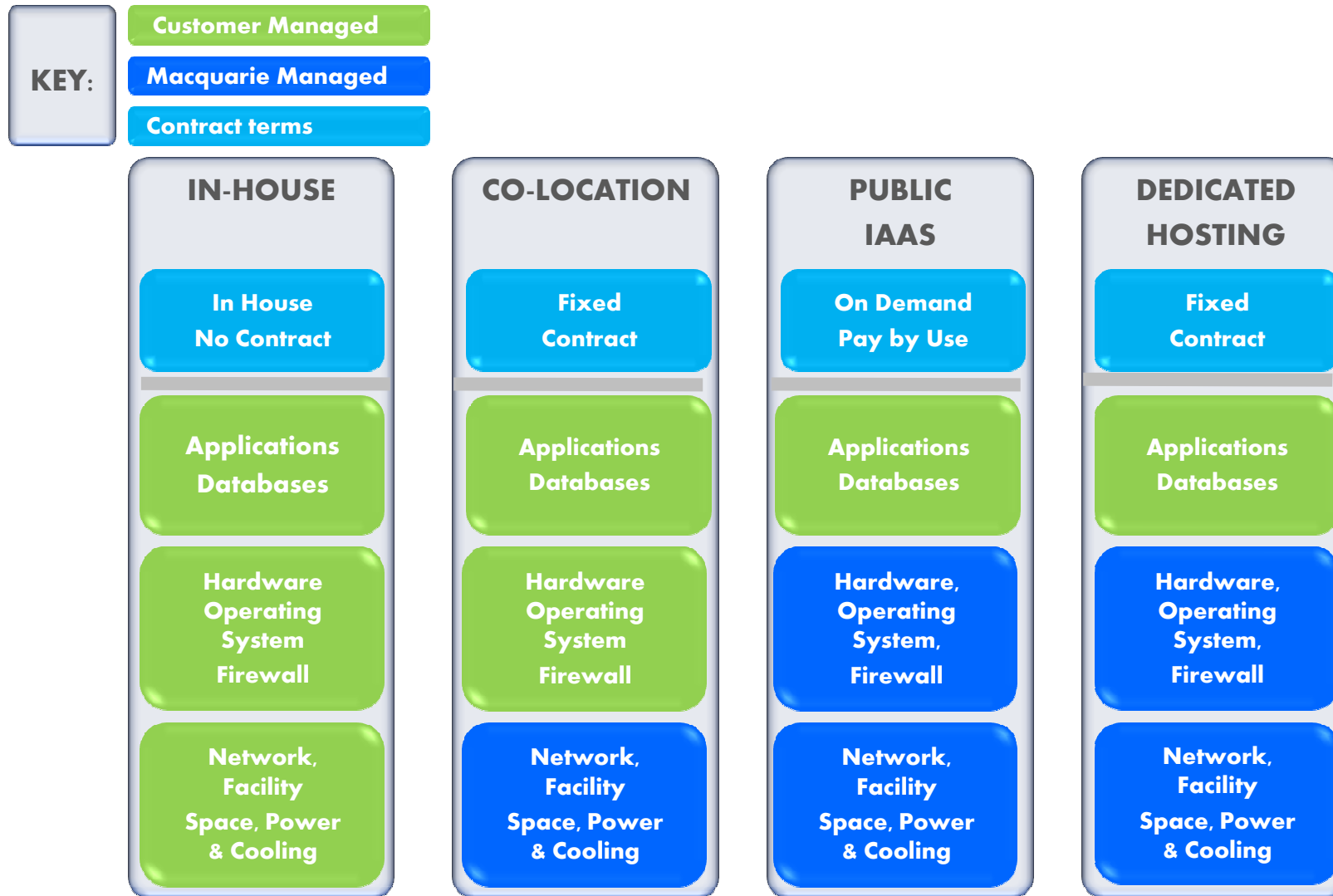


Full Range of Hosting Services

macquarie
TELECOM



From Co-location to Public Infrastructure as a Service to Dedicated Hosting offerings



Intellicentre 2



- Sales progressing ahead of plan – both in terms of anchor tenants and also our more typical managed co-location clients
- Not just co-location at IC2 – 2nd availability zone for Ninefold plus managed hosting products
- 8 MW total capacity (4MW IT Load) to be provisioned in line with customer demand
- Second MW of IT Load available by June 2013

Federal Government

Security is in our DNA



- Year of change as 120 agencies become grouped into eight of which four are insourced and four outsourced
- Won first tender – Department of Agriculture, Fisheries and Forestry (DAFF) – takes risk away from our Government business.
- Other three tenders expected to be awarded by June 30 2013
- Investing \$14m in data centre infrastructure and customer equipment in Canberra to deliver to the Lead Agency Secure Internet Gateway program
- Intellicentre 4 construction in Canberra is in progress and due for completion end of fiscal 2013.

Mobility – Bring Your Own Device



- Unique competitive advantage in the mobile landscape being the only Telco to offer all three major networks – Telstra, Optus, Vodafone
- Launched Mobility Manager – a SAAS product that enables CIOs to manage their mobile fleet and employee owned devices

National Broadband Network

- Macquarie Telecom, like other Telco providers, will be a wholesale customer of the new NBN, acquiring network services which in turn will enable Macquarie to provide services to our retail customers
- NBN offers businesses increased productivity, greater speed to market and enhanced customer service. Macquarie Telecom is well placed to help transition businesses to the new online era, differentiated by our world class customer service
- “NBN will be a competition leveller for Telco's and the key differentiator for providers will be around customer service” (Geoff Johnson, Gartner, Symposium 2009)
- Superfast broadband will encourage the development of new web technology increasing internet usage and driving growth in demand for managed hosting and data centres



CFO Presentation

Michael Simmonds

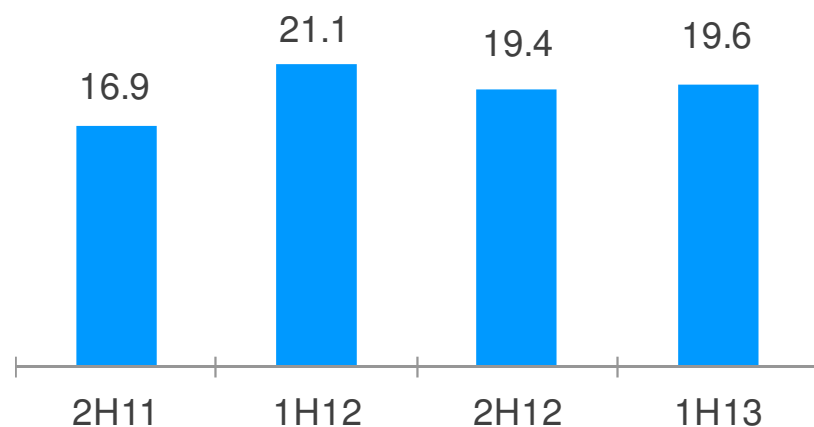
Key Financial Metrics

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- Macquarie Telecom confirms full year guidance as it invests in data centre expansion, Federal Government and Cloud Computing
 - EBITDA profit of \$19.6 million down 7.1% on pcp
 - EBIT profit of \$10.0 million down 24.6% on pcp
 - NPAT \$7.4 million down 33.3% on pcp
 - EPS of \$0.35 down 33.3% on pcp
 - Fully franked interim dividend of 12.0 cps
 - Cash and cash equivalents of \$17.1 million with additional \$50 million undrawn working capital facility in place

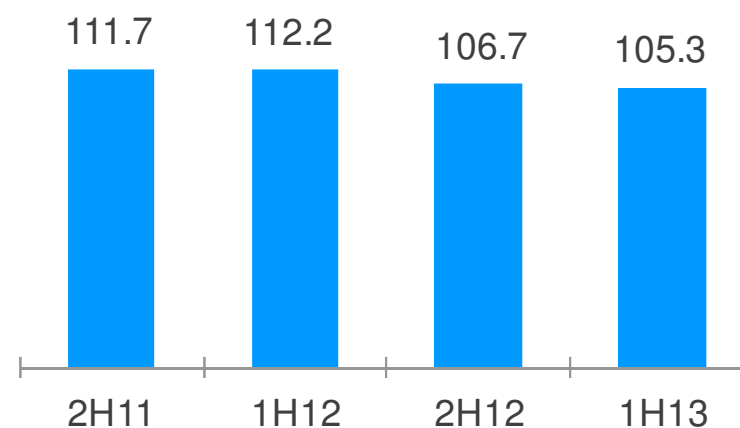
Profit Statement

\$m	1H12	1H13	Change
Revenue	112.2	105.3	(6.1%)
EBITDA	21.1	19.6	(7.1%)
EBIT	13.2	10.0	(24.6%)
NPAT	11.1	7.4	(33.3%)
EPS (cps)	52.8	35.2	(33.3%)

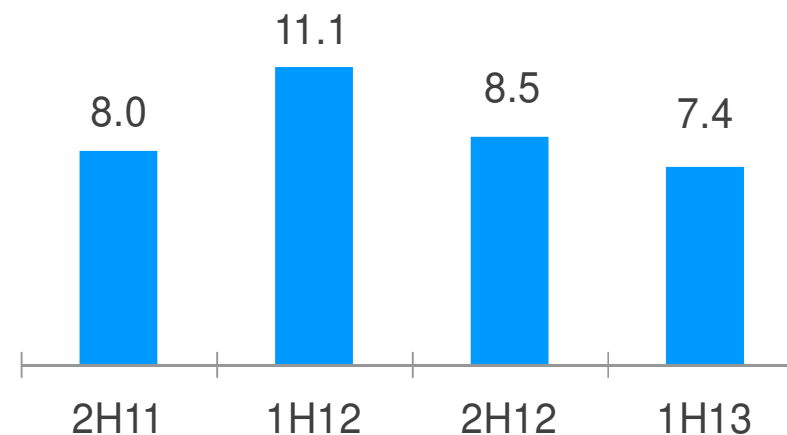
EBITDA \$m



Revenue



NPAT \$m



Cash flows

\$m	1H13	1H12
Cash flows from Operating Activities	12.8	13.1
Cash flows from Investing Activities	(23.9)	(16.3)
Cash flows from Financing Activities	(2.5)	(2.5)
Net Increase/(Decrease) in Cash Held	(13.6)	(5.7)
Opening Cash & Cash Equivalents	30.8	53.5
Closing Cash & Cash Equivalents	17.1	47.7

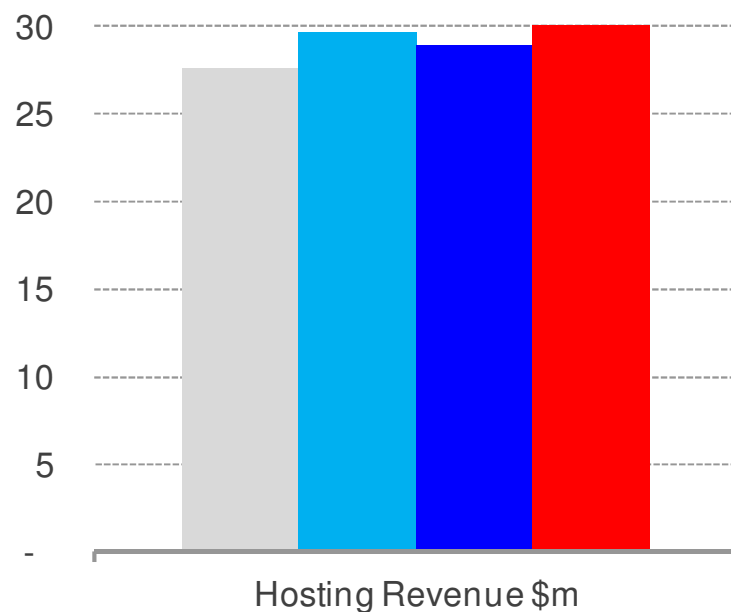
- Strong operating cash flows continue
- Investment in expanding data centre capacity
- Intellicentre 2 now operational
- Fully franked interim dividend of 12.0 cps

Balance sheet

\$m	1H13	1H12
Cash and cash equivalents	17.1	47.7
Gross Trade Debtors & WIP	13.7	15.4
Other Assets	100.5	58.6
Total Assets	131.3	121.7
Creditors	31.0	29.2
Short and Long Term Debt	0.0	0.0
Other Liabilities	4.2	7.4
Total Liabilities	35.1	36.6
Total Equity	96.2	85.2

- Healthy balance sheet with cash and cash equivalents of \$17.1 million.
- Strict working capital management
- New \$50 million undrawn working capital facility (up from \$30 million) to support strategic growth opportunities

Revenue

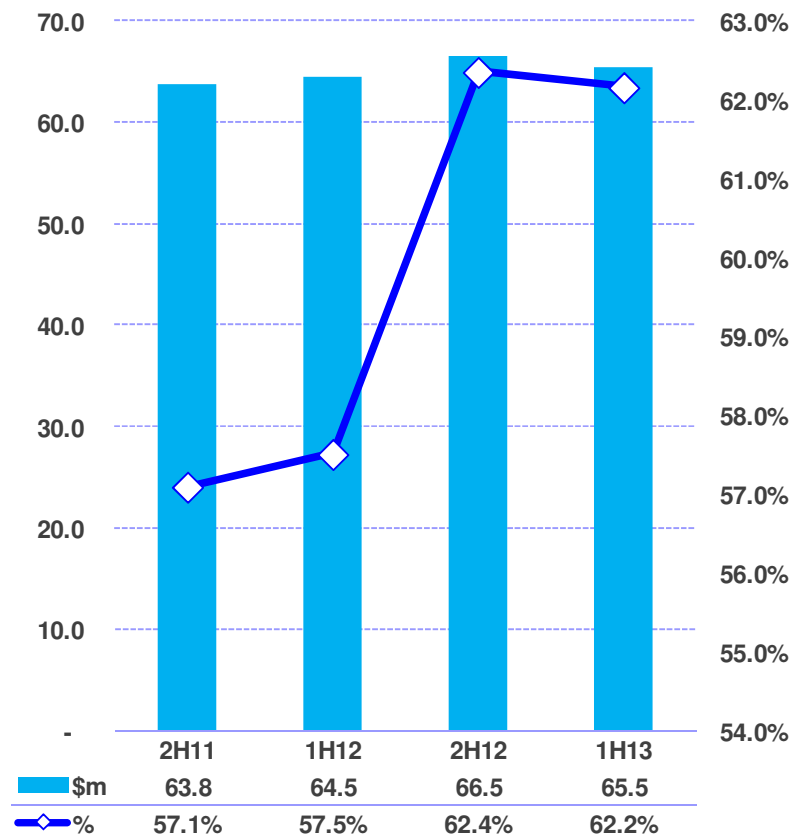


- Hosting revenue increased 3.6% on pcp
- Telco revenue down 9.6% on pcp primarily due to reduction in:
 - (i) Voice as further price competition and fixed to mobile and data substitution continues; and
 - (ii) Mobiles due to impact of Vodafone network issues
- Total revenue down 6.1% on pcp

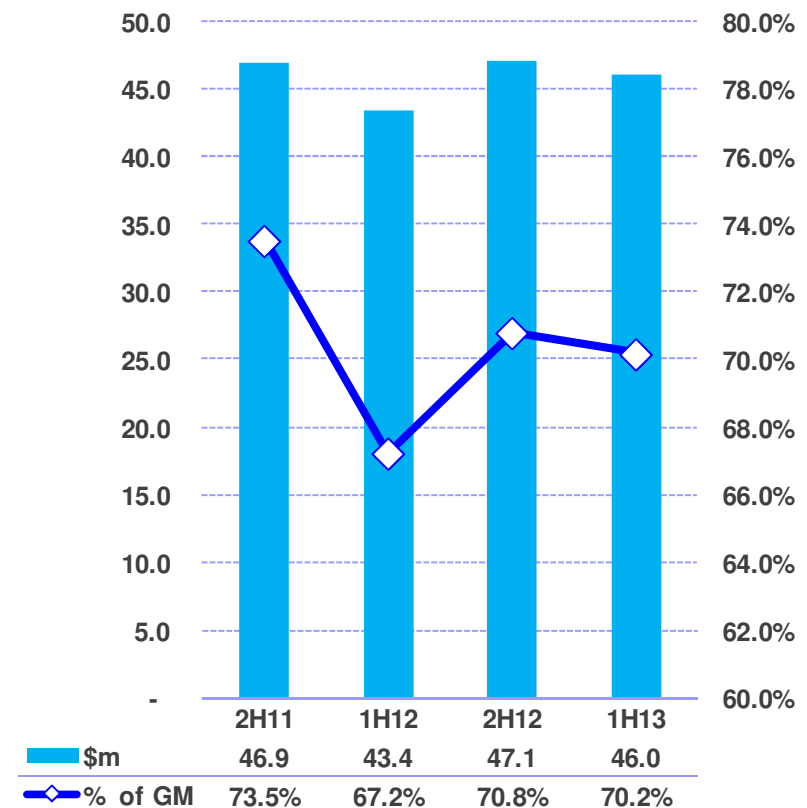
Revenue \$m	Data	Voice	Mobiles	Telco	Hosting	Total
2H11	29.9	40.9	13.3	84.1	27.6	111.7
1H12	31.3	39.7	11.5	82.5	29.6	112.2
2H12	31.1	36.5	10.2	77.8	28.9	106.7
1H13	30.7	34.2	9.7	74.6	30.7	105.3
1H13 v 1H12	(0.6)	(5.5)	(1.8)	(7.9)	1.1	(6.9)
% change	-2.0%	-13.9%	-15.5%	-9.6%	3.6%	-6.1%

Gross margin & Opex

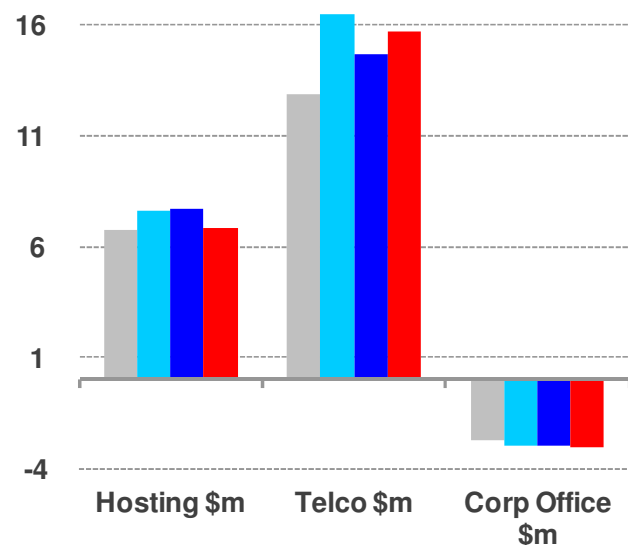
Gross margin % and \$



Opex \$ and as a % of gross margin



EBITDA

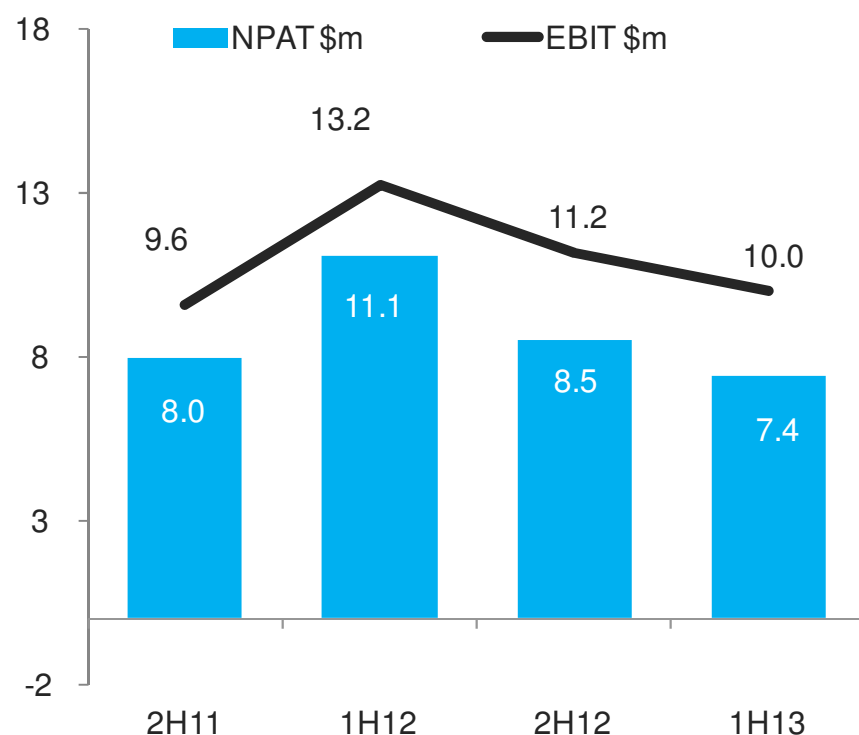


- EBITDA profit of \$19.6 million down 7.1% on pcp.
- Hosting EBITDA of \$6.9 million down 9.3% on pcp impacted by the cost of additional staff to satisfy Federal Government customer demand and pricing pressure on Managed Hosting as a result of the emergence of Cloud Computing.
- Telco EBITDA down 4.6% on pcp to \$15.7 million.

EBITDA \$m	Data	Voice	Mobiles	Telco	Hosting	Corp Office	Total
2H11	4.8	6.4	1.7	12.9	6.8	(2.7)	16.9
1H12	5.4	9.2	1.8	16.5	7.7	(3.0)	21.1
2H12	4.9	8.3	1.5	14.7	7.7	(3.0)	19.4
1H13	5.5	8.7	1.5	15.7	6.9	(3.0)	19.6

1H13 v 1H12	0.1	(0.5)	(0.4)	(0.8)	(0.7)	(0.0)	(1.5)
% change	2.0%	-5.3%	-21.0%	-4.6%	-9.3%	-0.8%	-7.1%

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.
- c) a normalised tax rate in comparison to the previous corresponding period.

OUTLOOK

Investing for future growth

- FY13 EBITDA guidance confirmed at between \$38 million and \$42 million
- FY13 capital expenditure expected to be approximately \$48 million, of which:
 - ~\$28 million for the expansion of hosting capacity in Sydney and Canberra; and
 - ~\$20 million on business as usual capital expenditure
- FY13 depreciation guidance between \$20 million and \$22 million
 - Slightly lower than previous guidance of between \$22 million and \$23 million given at the Annual General Meeting
 - Increase on last year being primarily attributable to depreciation associated with Intellicentre 2



Questions

Macquarie Telecom Group Ltd
Half Year Results 2013

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