

# Half Year Results.

## 2021.

**24 February 2021**

Authorised for release by the CEO of Macquarie Telecom Group Limited

# Business design.

Business Areas	 <b>macquarie</b> TELECOM	 <b>macquarie</b> CLOUD SERVICES	 <b>macquarie</b> GOVERNMENT	 <b>macquarie</b> DATA CENTRES
Percentage of Revenue and EBITDA in 1H21	 48% Revenue  25% EBITDA	 44% Revenue  49% EBITDA	 8% Revenue  26% EBITDA	
What we do	For business customers, we are the full service provider of data, voice, mobile & colocation services. We are the telecom that does everything refreshingly different. We are where the Macquarie story started.	For business customers, we are the specialists in hybrid IT. We integrate colocation, cloud & dedicated servers. Different applications need different types of hosting. We manage it.	We are the Australian specialists in cyber security, secure cloud & colocation for Federal Government. We deliver services to 42% of Federal Government agencies.	We are developers & operators of data centres for wholesale customers including underpinning our three internal BUs' colocation services.
Value proposition	Customer Service, Price, Choice, Flexibility, Control	Customer Service, Specialised and Compliant Hosting.	Customer Service, Security Operations Centre (SOC), Cyber Security, Sovereign Certified Data Centres in Canberra	Customer Service, Commercial and Design Flexibility, Physically Secure for Federal Government, Highly Certified, Local and Data Sovereignty, Proven track record
Competitors	   	   	  	   
People / Skill	Generalist for Voice & Mobiles Technical Consultant for Data & Colo to Business	Cloud Specialists: Custom and Compliant	Cyber Security and Hosting Specialist to Government	Australian Data Centre Specialists

### 3 Key Business Highlights.

**Revenue**  
\$143.6m

**EBITDA**  
\$36.4m

**NPAT**  
\$7.0m

**EPS**  
33.0 ps

- Thirteen consecutive halves of revenue and EBITDA growth
- EBITDA CAGR of 17.4% over the last 3 years
- All Business Units grew revenue, with particularly strong growth in Cloud Services and Government in 1H FY21 vs 2H FY20
- Macquarie Data Centres has sold 10MW of IT Load to a Leading Corporation
- Intellicentre 3 East (IC3 East) is on budget and will achieve practical completion in March 2021
- Intellicentre 5 (IC5) in Canberra was completed on time and on budget
- Remaining undrawn debt facility of \$96.5m to fund the IC3 data centre capacity expansion
- Telecom continue to migrate services to the nbn network in line with plan and expects to complete this by late 2021

### Macquarie Telecom

- #1 in Asia Pacific for SD WAN with over 5,000 sites activated
- Strong cross sell of Cloud Services solutions into Telecom's customers
- nbn migrations program completion date delayed until late 2021 due to COVID-19
- Higher mobile usage has negatively impacted mobiles cost of sales

### Macquarie Cloud Services

- Continues to grow successfully leveraging the Hybrid IT megatrend
- Managed Azure Practice continues to perform strongly
- GloTel Innovation award for 'Managed Azure' and the world first development of SD WAN into Azure

## Business Highlights Summary.

### Macquarie Government

- 42% of Australian Government agencies
- Certified Sovereign cloud for classified / protected workloads
- Upgrades to our Government Secure Internet Gateway across all our data centre campuses
- Commenced providing ATO cyber security services in 1H FY21

### Macquarie Data Centres

- IC3 East on budget with practical completion in March 2021
- 10 MW of IT Load sold to a Leading Corporation (new customer)
- Remaining floor at IC3 is available for our 3 business units and wholesale customers
- IC5 was completed in December, on time and on budget

# Best Customer Experience in the World

At the 2020 World Communication Awards in London we won the award for best Customer Experience in the World for our Heartbeat program.

Our CEO David Tudehope was also recognised with the World CEO of the Year award.

“We’re definitely looking for the X-Factor and we definitely found it here. The judges described the winner as the most customer experience focused CEO they’ve ever seen. Which has resulted in his company delivering a net promoter score at the same level as Apple and Amazon.”

*- Cormac Whelan FITP, CEO of Nokia UK and Ireland*





# A Differentiated Offering.

## 7 Company purpose.

To make a difference in markets that are under served and overcharged.

+76 NPS

## Customer focus.

- Our continued focus on providing a great customer experience is core to our service offering and differentiation
- Won the World's Best Customer Experience Award at the World Communications Awards
- Macquarie's net promoter score (NPS) continues on an upward trend at +76 for 1H FY21 – Australian leading NPS
- NPS is the measure of customer experience that is assessed on a scale of -100 to +100, where a score of greater than +50 is excellent
- NPS is calculated on the single question "how likely is it that you would recommend our company to a friend or colleague?"
- Growth in our NPS is good for our investors



**Quality Infrastructure.**

# Data Centre Portfolio.



Intellicentre 1  
Sydney CBD



Intellicentre 2  
Macquarie Park



Intellicentre 3 East  
Macquarie Park



Intellicentre 4 Bunker,  
Canberra

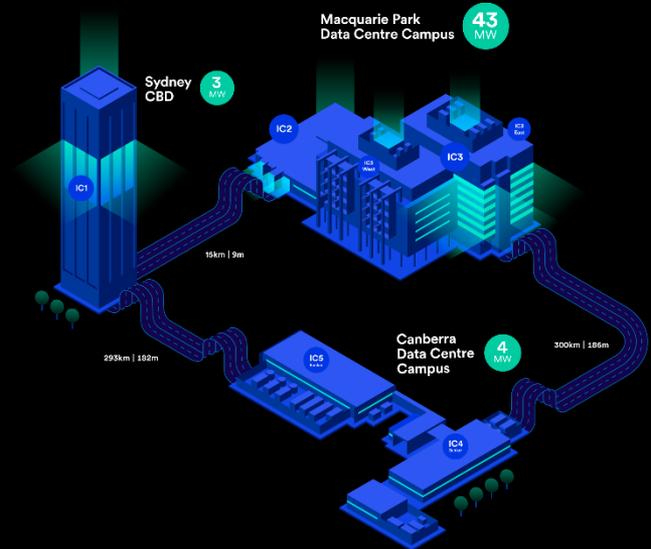


Intellicentre 5 South  
Bunker, Canberra

Macquarie Data Centre's projected total load is **50MW**

comprising of:

- Macquarie Park Data Centre Campus 43MW: IC2, IC3 East and IC3 West;
- Macquarie Canberra Data Centre Campus 4MW: IC4 and IC5; and
- Existing IC1 in Sydney CBD 3MW.



# IC3 East Progress.

- IC3 East build is progressing well and we expect completion in March 2021 and on budget
- Construction of capacity under the new contract will occur through CY21 for completion late CY21 / early CY22 – billing due to start shortly after completion
- Planning for IC3 West
- Review options to expand Campus capacity

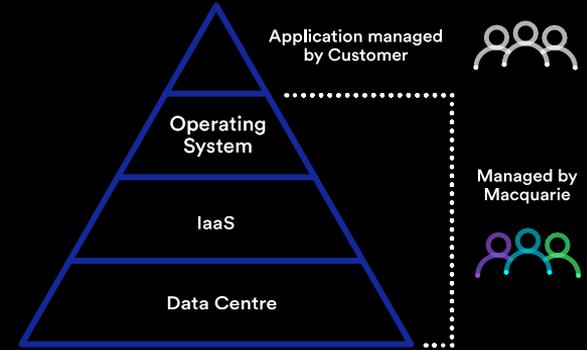
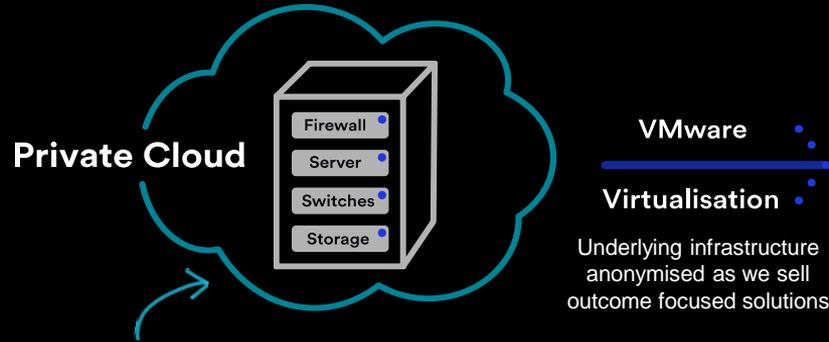


# IC5 South Bunker Canberra.

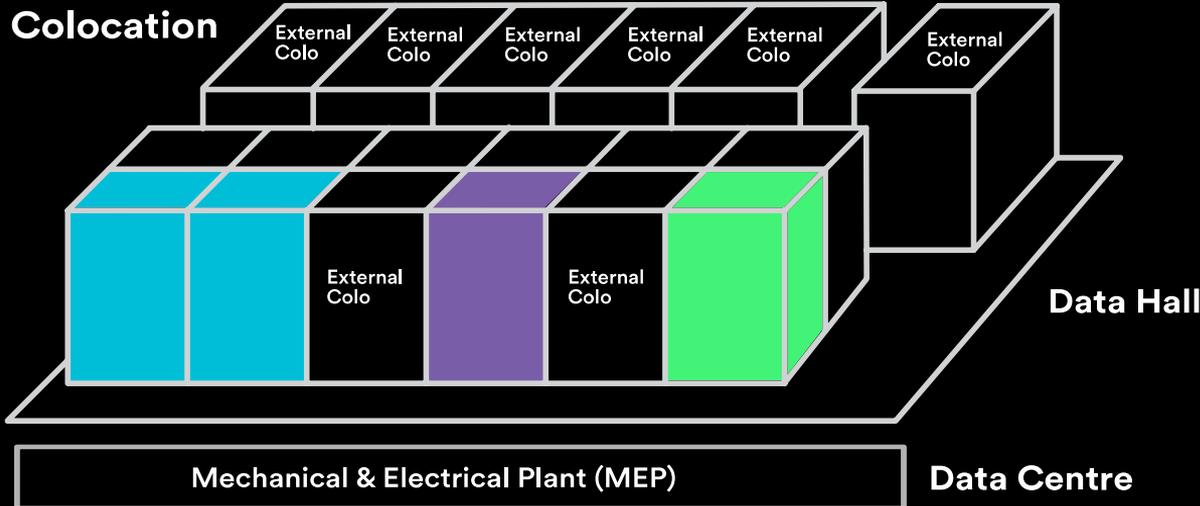


- Completed in December 2020 on time and on budget
- Built to Federal Government security standards (SCEC Zone 5 ready) and redundancy (Tier IV)
- Stage 1 investment of \$17m complete with planning approval for expansion options
- Australian Sovereign data centres to support expected growth in Federal Government business

# Our private cloud continues to be a key source of data centre utilization and generates higher revenue per rack.



## Colocation



Cloud Services & Government's Hybrid IT managed services deliver 10 times revenue per MW compared with colocation



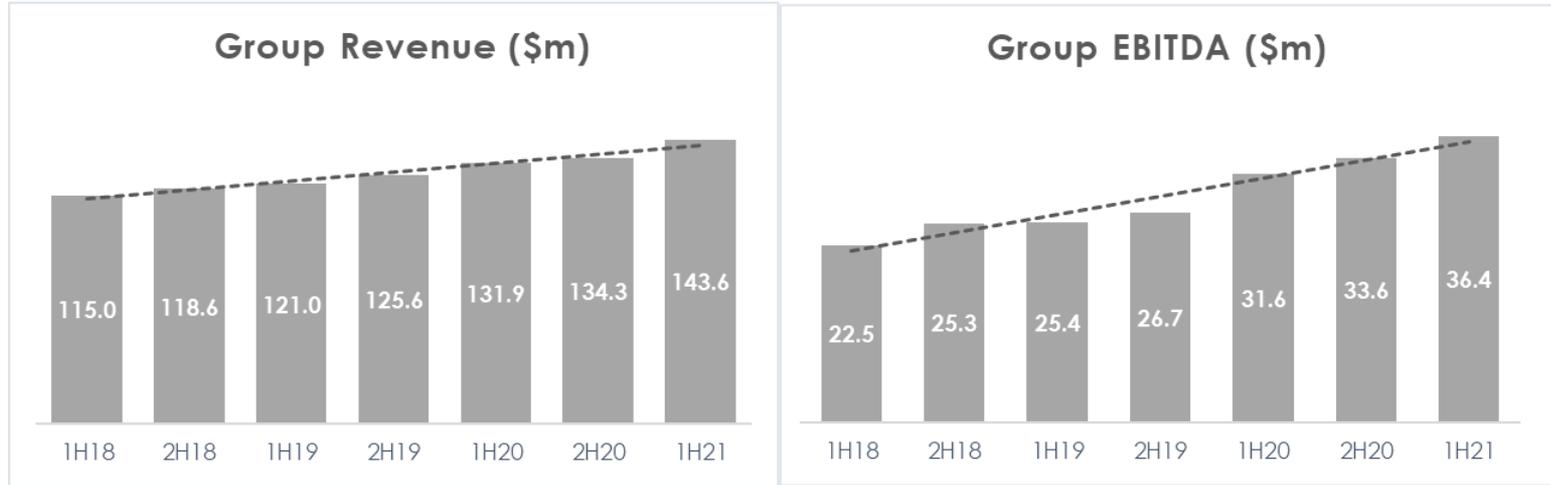
# Financials.

# Financial Results.

\$m	1H FY20	2H FY20	1H FY21	1H FY21 v 2H FY20	% change
Total Revenue					
Telecom	71.1	68.5	68.7	0.2	0.3%
Cloud Services & Government	51.9	56.4	64.8	8.4	14.9%
Data Centres	17.4	17.9	19.6	1.7	9.5%
Inter-Segment	(8.5)	(8.5)	(9.5)	(1.0)	11.8%
<b>Total Revenue</b>	<b>131.9</b>	<b>134.3</b>	<b>143.6</b>	<b>9.3</b>	<b>6.9%</b>
EBITDA					
Telecom	9.4	9.7	9.1	(0.6)	(6.2%)
Cloud Services & Government	13.5	15.7	18.0	2.3	14.6%
Data Centres	8.7	8.2	9.3	1.1	13.4%
<b>Total EBITDA</b>	<b>31.6</b>	<b>33.6</b>	<b>36.4</b>	<b>2.8</b>	<b>8.3%</b>
Depreciation & Amortisation	(20.1)	(21.3)	(23.8)	(2.5)	11.7%
<b>EBIT</b>	<b>11.5</b>	<b>12.3</b>	<b>12.6</b>	<b>0.3</b>	<b>2.4%</b>
Interest	(2.2)	(2.2)	(2.8)	(0.6)	27.3%
<b>NPBT</b>	<b>9.3</b>	<b>10.1</b>	<b>9.8</b>	<b>(0.3)</b>	<b>(3.0%)</b>
Tax	(2.6)	(3.3)	(2.8)	0.5	(15.2%)
<b>NPAT</b>	<b>6.7</b>	<b>6.8</b>	<b>7.0</b>	<b>0.2</b>	<b>2.9%</b>

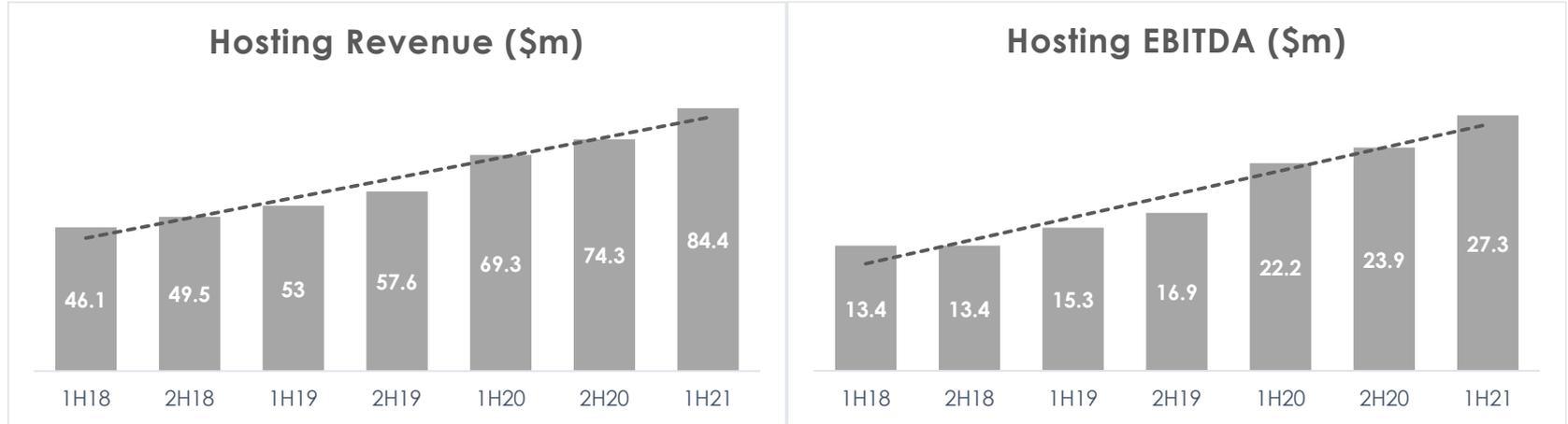
- Inter-segment revenue predominately relates to services provided by the Data Centre segment to both the Cloud Services & Government and Telecom segments, eliminated on consolidation

# Group Financial Performance.



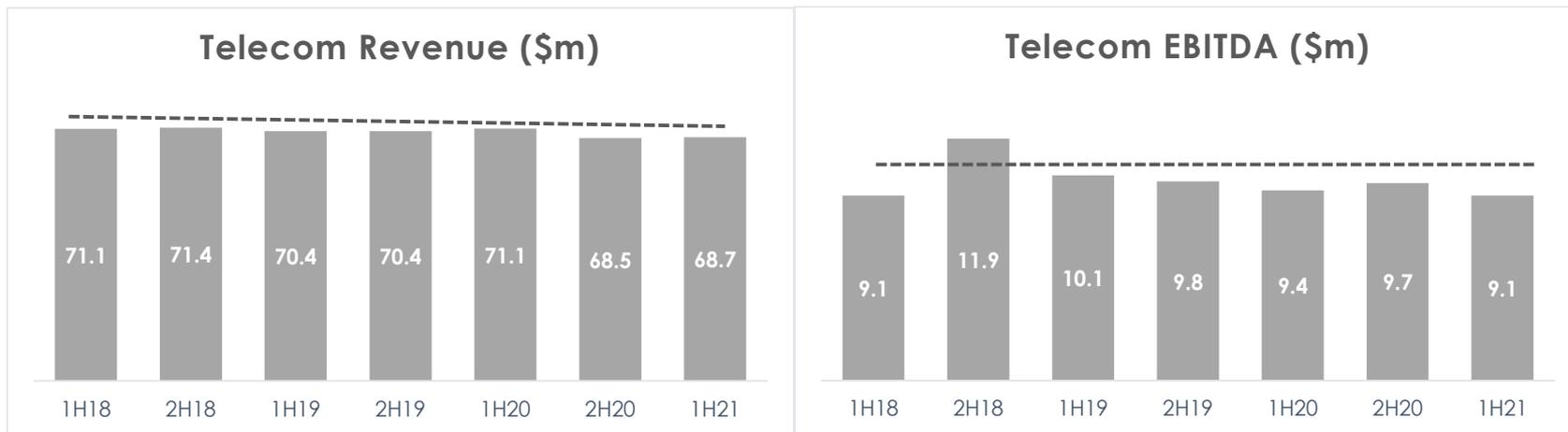
- Over the last 3 years:
  - Revenue CAGR of 7.6%
  - EBITDA CAGR of 17.4%
  - EBITDA margin increased from 19.6% (1H18) to 25.3% (1H21)

# Financial Performance – Hosting Segment (Cloud Services & Government + Data Centres)



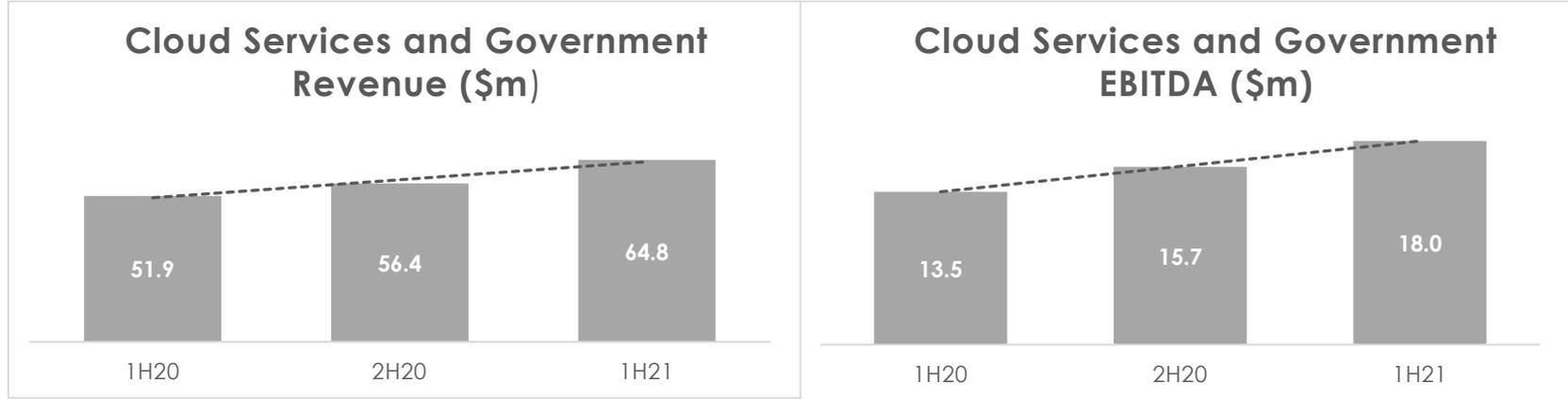
- Over the last 3 years:
  - Revenue CAGR of 22.3%
  - EBITDA CAGR of 26.8%
  - EBITDA margin increased from 29.1% (1H18) to 32.3% (1H21)

# 17 Financial Performance – Telecom



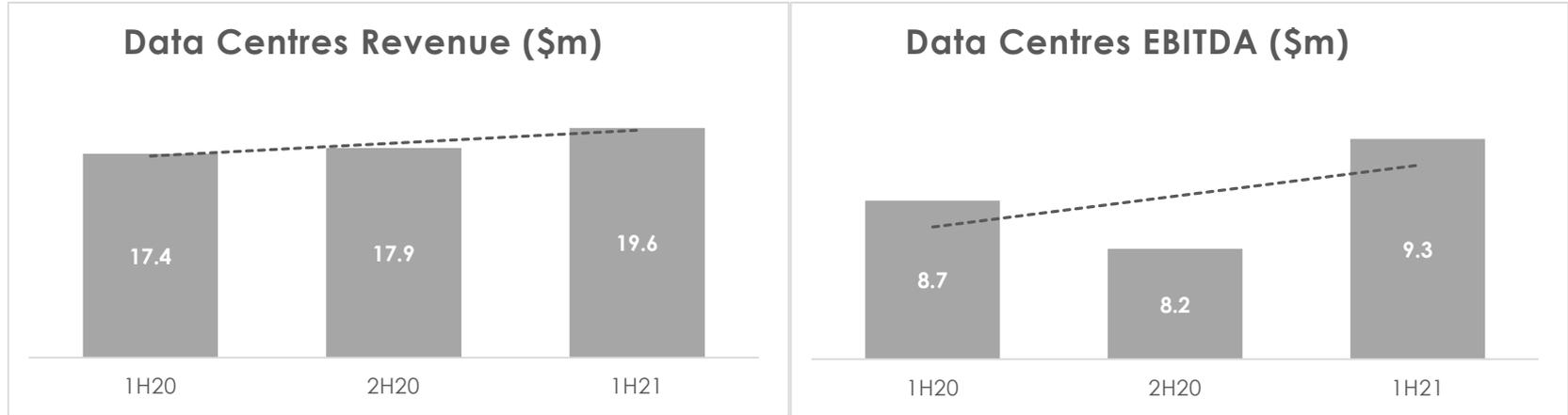
- Telecom revenue and EBITDA have been broadly flat over the historical period.

# Financial Performance – Cloud Services & Government



- Revenue in 1H21 grew 14.9% compared to 2H20
- EBITDA grew 14.6% in 1H21 compared to 2H20
- Cloud Services & Government is a new segment from FY21

# Financial Performance – Data Centres



- Data Centres revenue increased 9.5% in 1H21 compared to 2H20
- EBITDA increased 13.4% in 1H21 compared to 2H20
- Data Centres is a new segment from FY21

## Growth Capex.

- **Growth Capex** is for the building of new data centre capacity, increased power supply, new technology creation and transformational investment
- In the Data Centres business, a current example is IC5
- In the Cloud Services & Government business, a current example is the Secure Internet Gateway services which is for the ATO and other agencies
- Due to its significant scale IC3 spend has been separately reported
- **Growth Capex** was \$13.7m in 1H FY21

## Customer Growth Capex.

- **Customer Growth Capex** is for additional cabling, racks, servers & storage that enable us to provision new customer orders
- In the Telecom business, a current example is investment in SD WAN and nbn migrations
- **Customer Growth Capex** was \$13.9m in 1H FY21 reflective of our data centre sales success and product mix

## Maintenance Capex.

- Most of the remaining Capex is infrastructure refresh and internal software development known as **Maintenance Capex**
- **Maintenance Capex** was \$5.3m for 1H FY21

## 21 Balance Sheet & Cash Flows.

- Cash and cash equivalents of \$11.7m. The undrawn debt facility amounts to \$96.5m which will be used to fund the build of IC3 data centre
- Strong conversion of EBITDA to operating cash flows
- 1H FY21 capital spend of \$32.9m ex IC3
  - Growth Capex \$13.7m
  - Customer Growth Capex \$13.9m
  - Maintenance Capex \$5.3m
- IC3 development expenditure is currently classified as current assets in the balance sheet until practical completion where it will form part of the development agreement with Keppel

\$m	FY20	1H FY21
Cash & Cash Equivalents	37.9	11.7
Current Assets	43.9	60.9
Non Current Assets	242.4	290.2
<b>Total Assets</b>	<b>324.2</b>	<b>362.8</b>
Creditors	57.4	48.9
Other Liabilities	144.7	183.7
<b>Total Liabilities</b>	<b>202.1</b>	<b>232.6</b>
<b>Total Equity</b>	<b>122.1</b>	<b>130.2</b>

\$m	1H FY20	1H FY21
Cash Flows from Operating Activities	13.8	13.6
Cash Flows used in Investing Activities	(26.8)	(79.8)
Cash Flows from Financing Activities	2.8	40.0
<b>Net decrease in cash</b>	<b>(10.2)</b>	<b>(26.2)</b>
Opening Cash and Cash Equivalents	17.1	37.9
<b>Closing Cash and Cash Equivalents</b>	<b>6.9</b>	<b>11.7</b>

## 22 Outlook.

- FY21 EBITDA is expected to be approximately \$72 to \$75m
- Telecom continue to win customers from legacy data and IP carriers with our nbn and SD WAN solutions
- Cloud Services continue to grow successfully leveraging the Hybrid IT megatrend
- Continued demand from our Federal Government Agencies for cybersecurity and secure cloud, including from Tier 1 Agencies like ATO, gives great confidence for future growth in the Government Business
- IC3 expenditure is expected to be between \$123 to \$126m. Included in this is development expenditure which is expected to be in the range of \$26 to \$27m for FY21

FY21	\$m
EBITDA	72 - 75
Customer Growth Capex	25 - 28
Growth Capex	17 - 20
Maintenance Capex	15 - 18
Total CAPEX excluding IC3	57 - 66
IC3 Expenditure	123 - 126
Depreciation	50 - 53