

# M2 Telecommunications Group Ltd 2013 Annual General Meeting

16 October 2013



Geoff Horth, CEO

# Presentation Content



- FY13
- The New M2
- The Year Ahead

**FY13**

The background features a large orange triangle on the left side. On the right side, there are three overlapping triangles: a light grey one at the top, a dark blue one in the middle, and a purple one at the bottom. The text 'FY13' is positioned on the orange triangle.

# Another Outstanding Year



\$M	FY13	FY12	Change
Revenue	<b>681.0</b>	393.5	↑ Up 73%
EBITDA	<b>108.1</b>	60.1	↑ Up 80%
EBITDA (excluding transaction costs <sup>1</sup> )	<b>119.1</b>	65.1	↑ Up 83%
NPAT	<b>43.8</b>	33.0	↑ Up 33%
NPAT (excluding transaction costs <sup>1</sup> )	<b>54.8</b>	38.0	↑ Up 44%
NPAT (underlying <sup>2</sup> )	<b>58.4</b>	38.1	↑ Up 53%
EPS (cents per share <sup>3</sup> )	<b>27.4</b>	25.9	↑ Up 6%
EPS (cents per share, ex transaction costs <sup>1,3</sup> )	<b>34.0</b>	29.8	↑ Up 14%
EPS (cents per share, underlying <sup>2,3</sup> )	<b>36.3</b>	29.8	↑ Up 22%
Final Dividend (cents, fully franked)	<b>10.0</b>	9.0	↑ Up 11%
Total Dividends Paid and Payable	<b>33.6</b>	25.3	↑ Up 33%

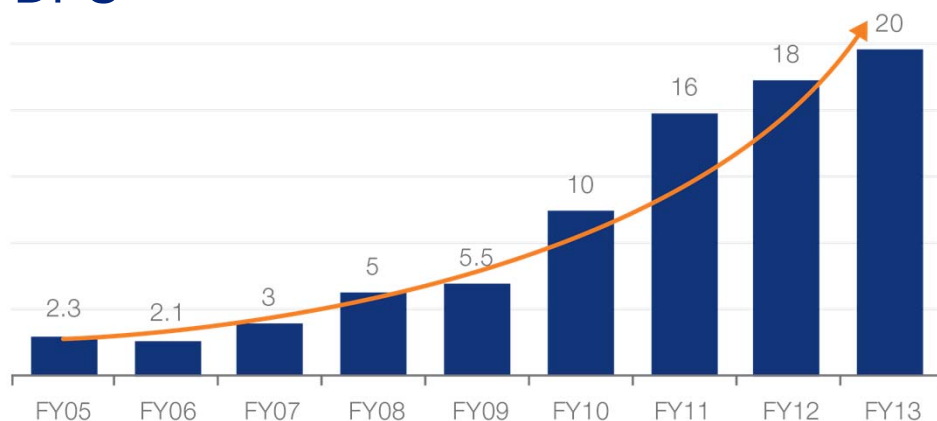
(1) Excluding transaction costs of \$11 million associated with the acquisitions of Dodo and Eftel in FY13 and \$5 million associated with the acquisition of Primus Telecom Holdings Pty Ltd in FY12

(2) Underlying NPAT and EPS figures each include an add-back of a non-cash cost of \$14.6 million for FY13 and \$5.1 million for FY12 for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards) (3) Calculated using the volume weighted average number of shares

# Continuing Shareholder Returns

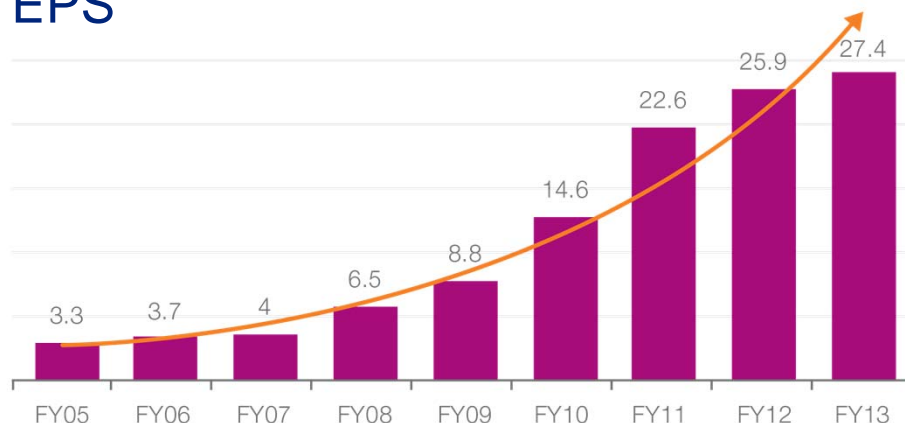


## DPS



- DPS CAGR was 24% 2005-2013
- EPS CAGR was 24% 2005-2013
- Share price between 30 June 2012 and 30 June 2013 increased 79%

## EPS



TSR	1 Year	3 Year	5 Year
M2	82%	61%	69%
ASX200	20%	13%	4%

DPS: Dividends Per Share  
 EPS: Earnings Per Share  
 CAGR: Compound Annual Growth Rate  
 TSR: Total Shareholder Return

# Balance Sheet @ 30 June '13



Balance Sheet (\$M)	FY13	FY12
Cash at Bank	48.0	25.0
Other Current Assets	128.9	82.1
Goodwill / Intangibles	634.4	299.4
Other non-current Assets	81.7	64.8
<b>TOTAL ASSETS</b>	<b>893.0</b>	<b>471.3</b>
Borrowings (Current)	30.6	22.3
Current Liabilities	222.0	112.6
Borrowings (non Current)	294.7	127.9
Non-Current Liabilities	48.5	19.7
<b>TOTAL LIABILITIES</b>	<b>595.8</b>	<b>282.5</b>
<b>Net Assets</b>	<b>297.2</b>	<b>188.8</b>
<b>Net Debt</b>	<b>277.3</b>	<b>125.2</b>

# The New M2

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# The M2 Business Today

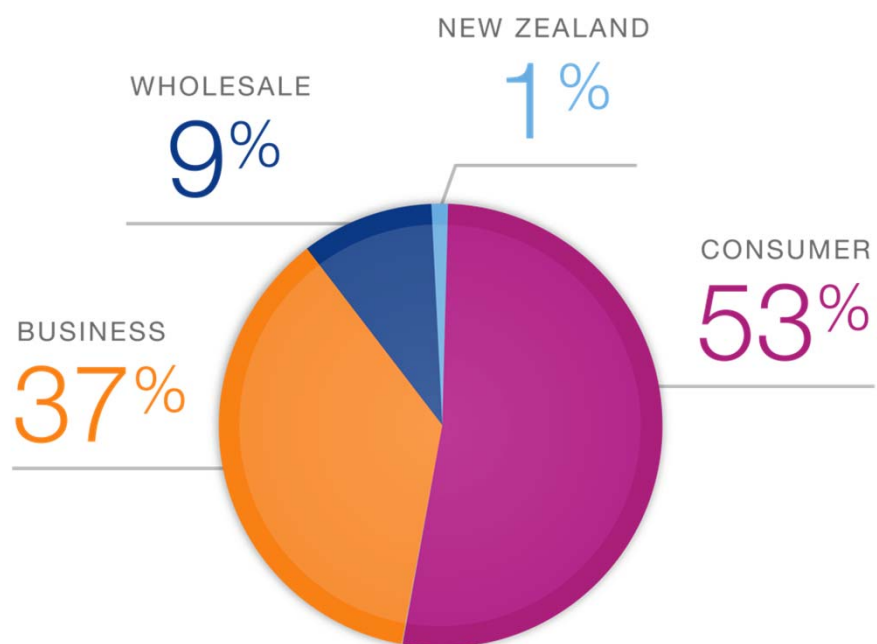


- **Products and Services** include traditional and next-generation telecommunications as well as energy and insurance
- **Core segments** continue to be consumer and small business
- **Team Members** numbering more than 3,000 across Australia, New Zealand and the Philippines
- **Strong service orientation** with a focus on ease of use
- Sales and support network of **Commander Centre Dealers**, Australia-wide
- **Sales and marketing engine** comprising more than 1,000 team members
- Greater than **1.4 million** active post-paid services

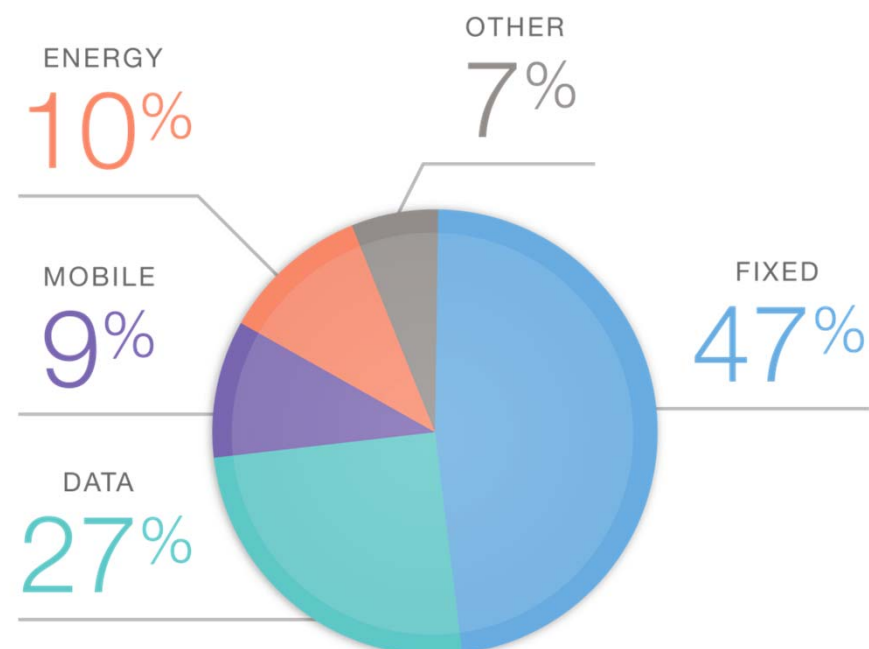


# Sources of Revenue

*FY14 pro-forma Revenue by segment*



*FY14 pro-forma Revenue by product*



# Post Paid Services






	Consumer		Business		Wholesale		TOTAL	
	SIO '000's	ARPU \$	SIO '000's	ARPU \$	SIO '000's	ARPU \$	SIO '000's	ARPU \$
Voice	325	40	269	71	136	42	730	52
Mobile	201	26	46	42	7	21	254	29
Data	350	38	38	69	25	43	412	41
Energy	56	121	-	-	-	-	56	121
Total SIO/Av. ARPU	932	41	353	67	167	41	1,452	47

Excludes pre-paid services. SIO: Services in operation ARPU: Average revenue per unit, per month








# Segment Overview - Business



Market	Small and Medium Business			
Size	\$7 billion <sup>1</sup>	Share	5%	
Brand				
Proposition	Your NBN ready business communication specialist			
Services	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  Fixed Voice         </div> <div style="text-align: center;">  Data         </div> <div style="text-align: center;">  Mobile         </div> <div style="text-align: center;">  Hosted Voice         </div> <div style="text-align: center;">  Cloud         </div> </div>			

(1) Goldman Sachs Report "M2 Telecommunications Group: A leading challenger in the SMB market", 18 Oct '12

# Segment Overview - Consumer

Market	Australian Households		
Size	\$28 billion <sup>1</sup>	Share	1% <sup>2</sup>
Brand			
Proposition	Connect and Save with Dodo Low-cost telecommunications & utilities provider		Providing Australian households with high value telecommunications services since 1996
Services	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">             Fixed Voice         </div> <div style="text-align: center;">             Data         </div> <div style="text-align: center;">             Mobile         </div> <div style="text-align: center;">             Energy         </div> <div style="text-align: center;">             Insurance         </div> </div>		

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(2) Telecommunications customers only (excluding energy)

# Integration Update

- Financial performance of acquired businesses in line with investment case
- Successfully completed syndication of a 3-year term debt facility
- Full functional and structural integration completed
- Secured employment of key management to ensure business continuity and retain talent and knowledge
- Melbourne teams relocated to M2 head office by mid-July
- Customer acquisition trajectory maintained



# Growth Initiatives

## **Leveraging Dodo marketing expertise for iPrimus**

- New iPrimus plans released in August
- New sales team created in Manila to accommodate additional lead volumes
- Additional marketing activities to drive lead volumes commencing October

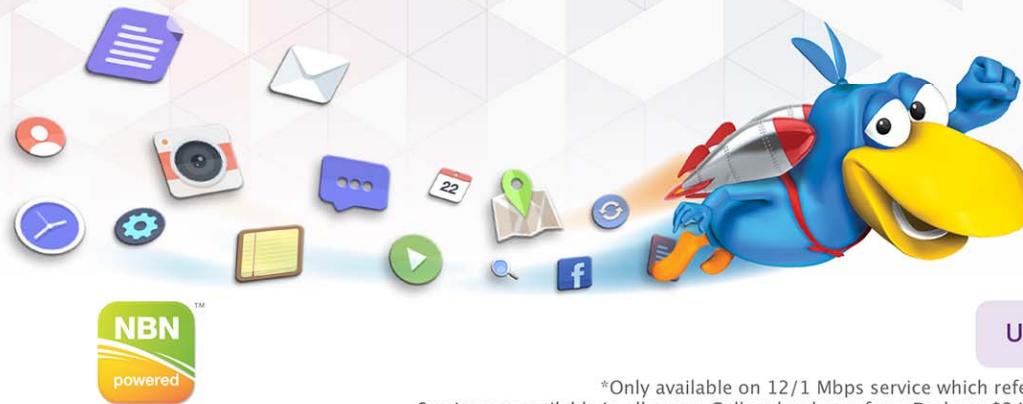
## **Commander increasing focus on SOHO/Micro market**

- New bundle plans released August
- Sales team created in Manila with specific focus on this segment
- Test campaigns launched in September, performance in line with expectations

# Dodo enters the NBN



*Leveraging M2 capability and track record in NBN*



**UNLIMITED DATA\***  
**NBN ULTRA PLAN**

**\$59.90** P/M  
Min cost \$1,557.60 over  
24 mths. Incl \$120 modem fee.

UNLIMITED Data • No excess charges • No peak/off-peak times

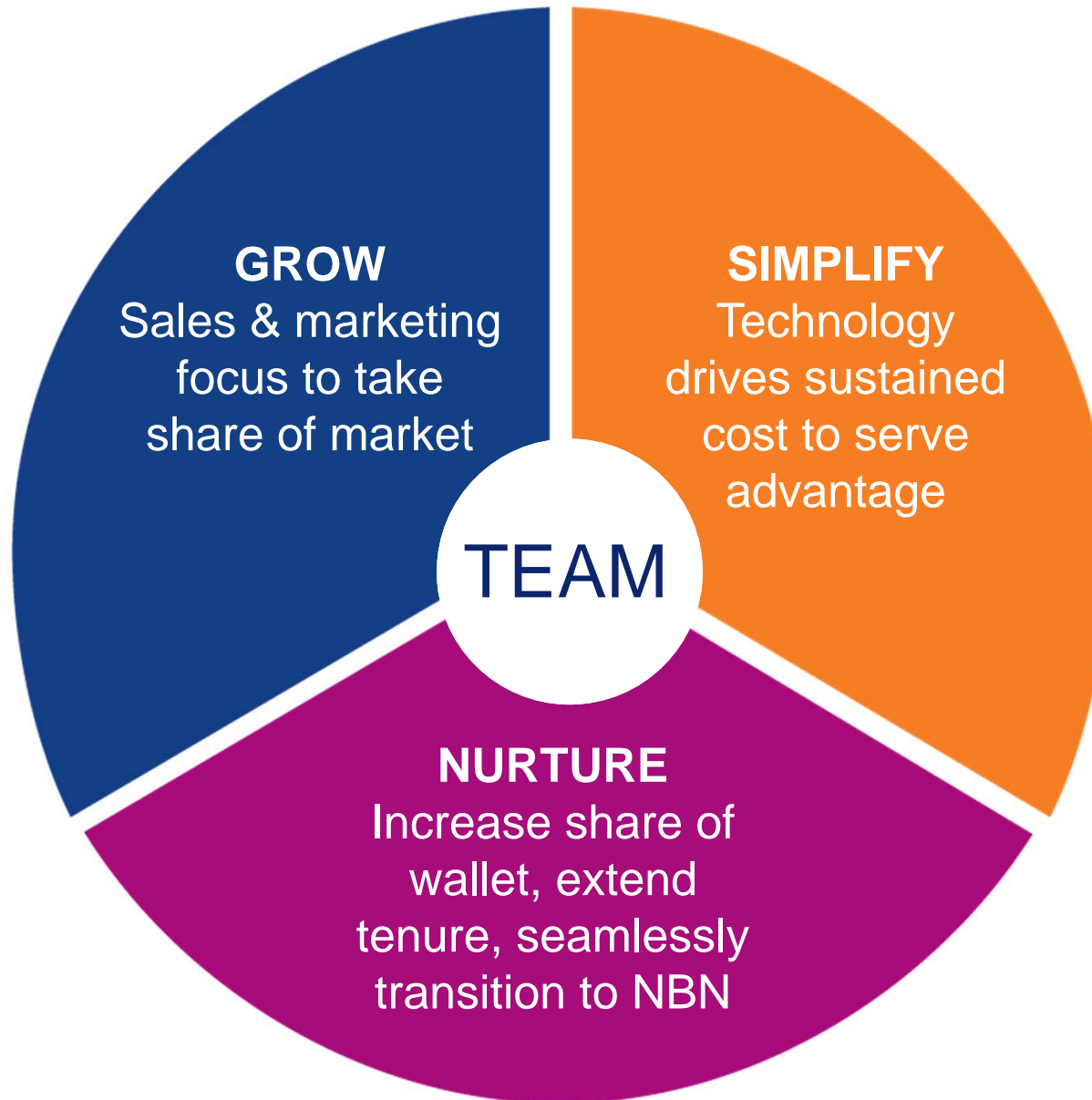
\*Only available on 12/1 Mbps service which refers to max NBN port access speed (actual speeds received may differ due to various factors). Service not available in all areas. Collect hardware from Dodo or \$24.90 delivery applies. Powered by NBN is a trade mark of NBN Co Ltd and used under licence.

# The Year Ahead

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# FY14 Priorities



# FY14 Guidance



*On track to meet guidance following Q1 completion*

\$M	FY13(a)	FY14 Guidance	% Change (from midpoint)
Revenue	681.0	970 - 1030	↑ Up 47%
EBITDA	108.1	150 - 170	↑ Up 48%
NPAT	43.8	60 - 70	↑ Up 48%
NPAT (underlying <sup>1</sup> )	58.4	85 - 95	↑ Up 54%
EPS (cents per share <sup>2</sup> )	27.4	34 - 39	↑ Up 33%
EPS (cents per share, underlying <sup>1,2</sup> )	36.3	48 - 53	↑ Up 39%
Capex (as % of revenue)	2.9%	2%	↓ Down 31%

(1) Underlying NPAT and EPS figures each include an add-back of a non-cash cost of \$14.6 million for FY13 and \$26 million for FY14 for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards)

(2) Calculated using the volume weighted average number of shares

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Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions are intended to identify forward-looking statements.

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