



VOCUS AND M2 TO MERGE

**MERGER TO CREATE A FULL-SERVICE VERTICALLY INTEGRATED
TRANS-TASMAN TELECOMMUNICATIONS COMPANY**

28 SEPTEMBER 2015

Transaction Overview

Transaction Announcement

- Vocus Communications Limited (“Vocus”) to merge with M2 Group Ltd (“M2”) via an M2 scheme of arrangement

Scheme Consideration

- All-scrip; M2 shareholders to receive 1.625 Vocus shares for each M2 share
- CGT scrip-for-scrip rollover relief expected for Australian shareholders

Relative Shareholding

- M2 shareholders will own approximately 56% and Vocus shareholders will own approximately 44% of the combined group, respectively
- c.529m total shares on issue on completion

M2’s Board of Directors unanimously recommend that shareholders vote in favour of the Scheme, in the absence of any superior proposal and subject to the opinion of the Independent Expert

Compelling Strategic Rationale

Bringing infrastructure and customers together

- ✓ Creation of a full-service vertically integrated trans-Tasman telecommunications company
- ✓ Combines extensive infrastructure in Australia and New Zealand with established brands and more than 2.1 million services in operation
- ✓ Product offering relevant to every individual, business and government department in Australia and New Zealand
- ✓ Revenue of c.\$1.8bn and EBITDA of c.\$370m in FY16E¹, before synergies
- ✓ Significant synergy potential, including cost synergies of c.\$40m p.a., expected to be fully realised by the end of FY18
- ✓ Strengthened balance sheet and strong cash flows
- ✓ Combined market capitalisation in excess of \$3bn²
- ✓ Eligible to sit well within the S&P/ASX 100
- ✓ **Strategically positioned to capitalise on NBN in Australia and UFB in New Zealand**

BRINGING INFRASTRUCTURE AND CUSTOMERS TOGETHER

(1) Based on Bloomberg consensus as at 25 September 2015, and pre synergies and one-off transaction costs.

(2) Based on combined market capitalisations as at 25 September 2015, sourced from IRESS.

Highly Experienced Board and CEO

Providing the combined group with multiple decades of experience in the telecommunications industry

- The combined group's Board will be comprised of eight directors, with four each from M2 and Vocus
- Vocus founder, James Spenceley will continue on the Board in his new capacity as Executive Director, focusing on infrastructure strategy
- M2 founder, Vaughan Bowen will continue in his role as Executive Director, focusing on strategic acquisitions
- David Spence, Chairman of Vocus will continue as Chairman and Craig Farrow, Chairman of M2 will become Deputy Chairman
- Geoff Horth, M2 CEO will be the combined group's CEO
- The new executive team will be drawn from the current management teams of both M2 and Vocus

New Combined Group Board

■ Vocus ■ M2



David Spence
Chairman



Craig Farrow
Deputy Chairman



James Spenceley
Executive Director



Vaughan Bowen
Executive Director



Tony Grist
Non-Executive Director



Rhoda Phillippo
Non-Executive Director



Jon Brett
Non-Executive Director



Michael Simmons
Non-Executive Director



Geoff Horth
CEO

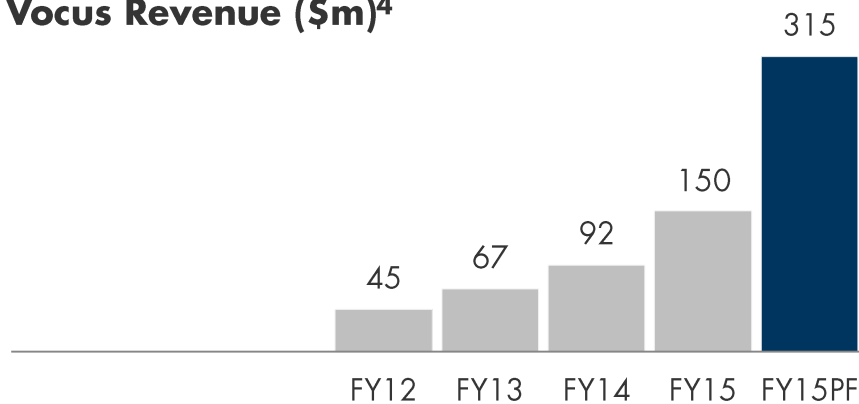
Combined Financial Overview

Combined Financial Strength

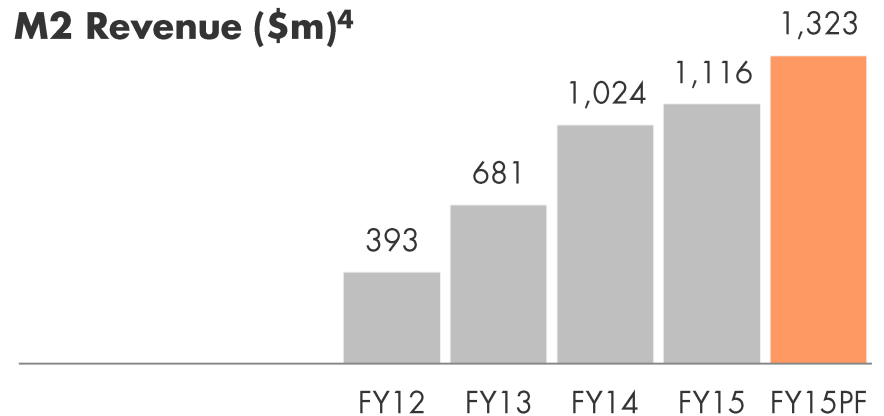
- Revenue of c.\$1.8bn and EBITDA of c.\$370m in FY16E¹, before synergies
- Balance sheet flexibility with pro forma net leverage of approximately 1.8x FY16E EBITDA²
- Combined market capitalisation in excess of \$3.0bn³
- Strong free cash flow generation to enable future growth

Both companies have proven growth track records

Vocus Revenue (\$m)⁴



M2 Revenue (\$m)⁴



(1) Based on Bloomberg consensus as at 25 September 2015, and pre synergies and one-off transaction costs.

(2) Based on combined net debt of \$676m as at 30 June 2015. FY16E EBITDA based on Bloomberg consensus as at 25 September 2015, and pre synergies and one-off transaction costs.

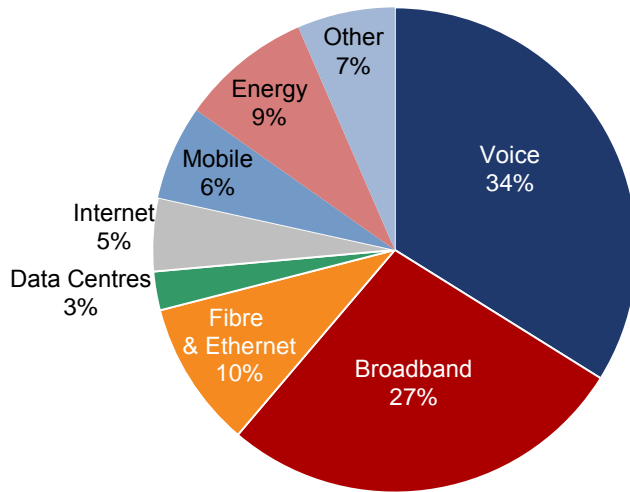
(3) Based on combined market capitalisations as at 25 September 2015, sourced from IRESS.

(4) FY15 revenue pro-forma to include full year contribution of Amcom and CallPlus acquisitions, respectively.

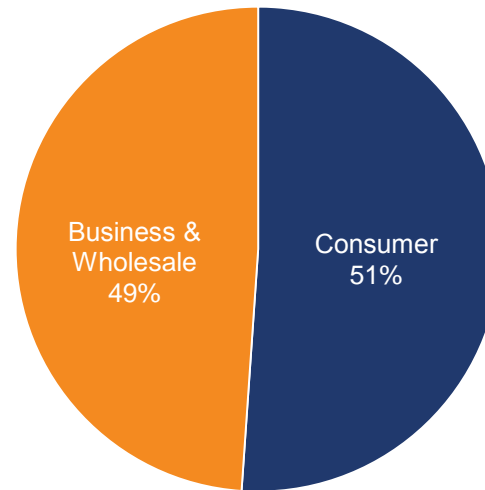
Enhanced Revenue Diversification

FY15 Pro-Forma Basis⁽¹⁾

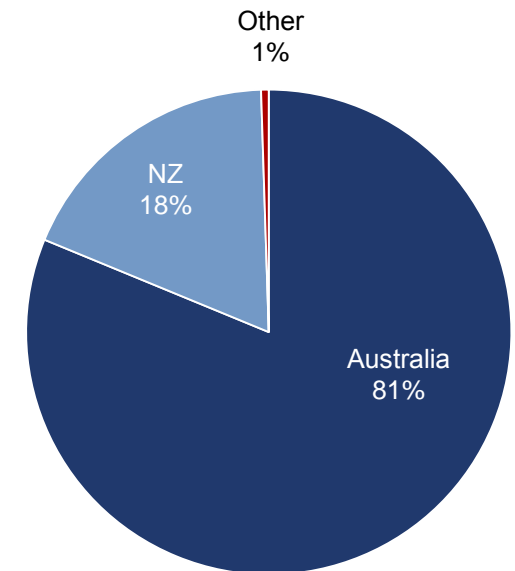
**Combined Group
Revenue by Product**



**Combined Group
Revenue by Segment**



**Combined Group
Revenue by Geography**



- Expanded product portfolio resulting in greater diversification of revenues
- Even split between Consumer and Business & Wholesale
- Australian business with meaningful New Zealand presence

(1) FY15 revenue pro-forma to include full year contribution of Amcom and CallPlus acquisitions, respectively.

Significant Synergy Potential

Cost synergies of c.\$40m p.a. expected with further potential for revenue synergies

Cost Synergies

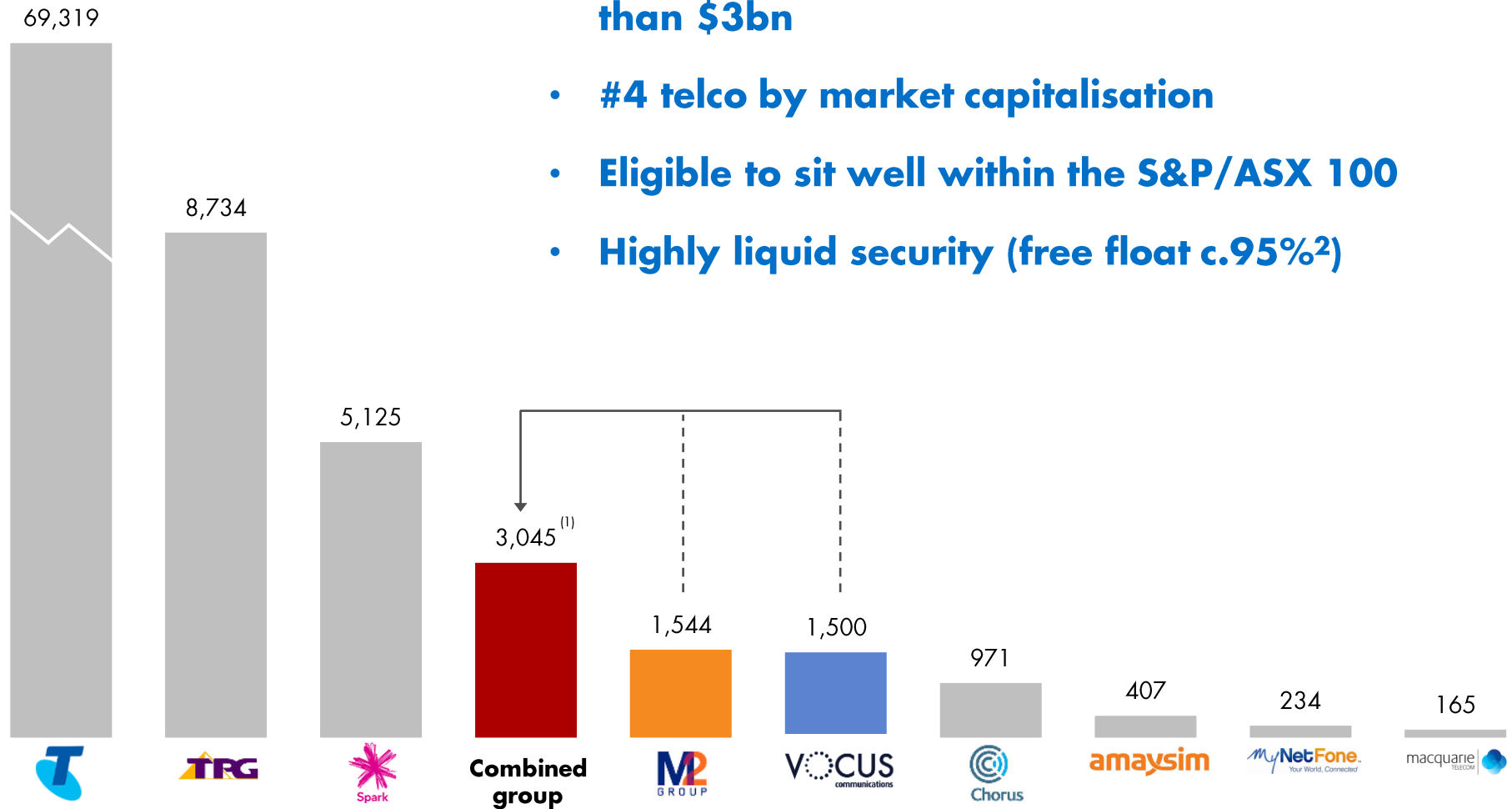
- Approximately \$40m p.a. comprising:
 - Network synergies: savings from network optimisation and consolidation – leveraging infrastructure assets
 - Non-network synergies: savings from duplicated public company costs, facilities / premises and other SG&A costs
- Synergies expected to be fully realised by the end of FY18
- One-time costs associated with achieving synergies estimated to be c.\$20m

Example Revenue Synergies

- Vocus' fibre to enable M2's DSLAM network in Australia and New Zealand
- Mobilisation of M2's expansive distribution to further penetrate Vocus' on-net buildings
- Cross sell of combined group's complementary products and services to both M2 and Vocus customers in Australia and New Zealand

Enhanced ASX Market Position

- Combined group market capitalisation greater than \$3bn
- #4 telco by market capitalisation
- Eligible to sit well within the S&P/ASX 100
- Highly liquid security (free float c.95%⁽²⁾)



(1) Based on combined market capitalisations as at 25 September 2015 per IRESS.

(2) Based on Investable Weight Factor (IWF) per IRESS.

Combined Business Overview

Segments and Leading Brands

Relevant to every individual, business and government department in Australia and New Zealand

Consumer

Every household in Australia and New Zealand

SMB

2-49 employees

Corporate and Government

50-2,000 employees and government departments

Wholesale

Key Australian Brands



Key New Zealand Brands



Comprehensive Distribution Network

Multi-channel approach backed by significant marketing spend

By the numbers...across Australia and New Zealand

800+

Consumer Salespeople

70+

Kiosk locations

\$33m

Consumer Marketing Spend

400+

Channel Partners

140+

Business Salespeople

80+

Dealers

\$10m

Business Marketing Spend

Combined Infrastructure Assets

Significant network infrastructure in all major cities in Australia and New Zealand together with global transmission capacity

Fibre Infrastructure

- 1,600km of Australian metro fibre
- 3,400+ Australian on-net buildings
- 4,300km of New Zealand intercity fibre

Internet Infrastructure

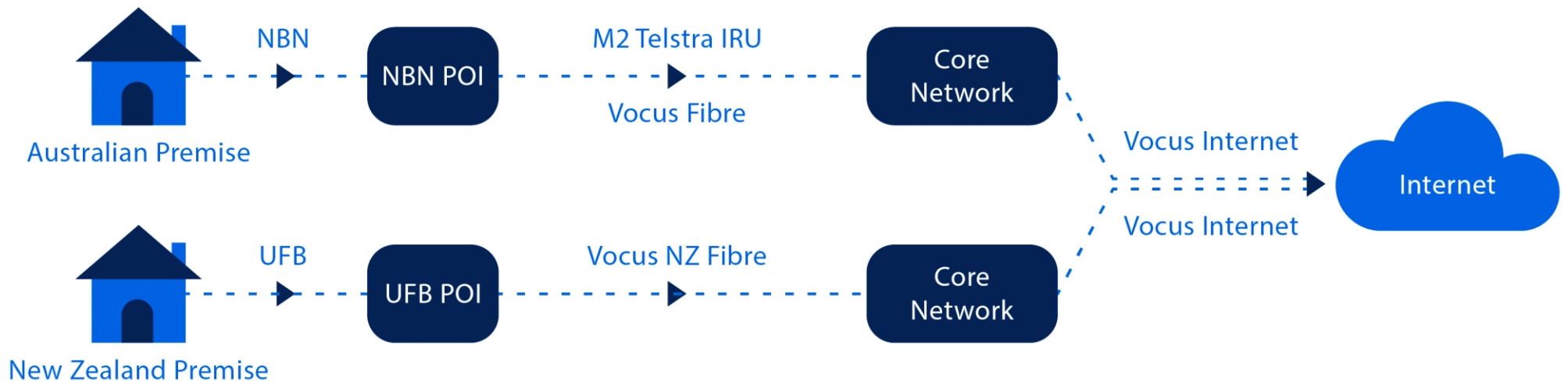
- 510 DSL enabled exchanges across Australia and New Zealand
- Submarine cable capacity connecting Australia and New Zealand to the United States, Hong Kong and Singapore
- 100% coverage of NBN Points of Interconnect (POIs)
- 100% coverage of UFB POIs in New Zealand

Voice Infrastructure

- Next-generation voice platform providing carrier-grade voice services to 100% of Australia and New Zealand
- Broadsoft and Cisco enterprise voice products

NBN and UFB ready

100% coverage across Australia and New Zealand



Summary

Bringing infrastructure and customers together

- ✓ Creation of a full-service vertically integrated trans-Tasman telecommunications company
- ✓ Combines extensive infrastructure in Australia and New Zealand with established brands and more than 2.1 million services in operation
- ✓ Product offering relevant to every individual, business and government department in Australia and New Zealand
- ✓ Combined market capitalisation in excess of \$3bn

Strategically positioned to take maximum advantage of the NBN in Australia and UFB in New Zealand

Appendix

Merger Implementation and Timeline

Merger – Key Terms

- The merger will be implemented via a scheme of arrangement which will be subject to several conditions including:
 - Satisfaction of all regulatory approvals (including ACCC)
 - No material adverse event or prescribed occurrence affecting either party
 - An Independent Expert opining that the scheme is in the best interest of M2 shareholders
 - M2 shareholders approving the scheme, and
 - Court approval of the Scheme
- The Merger Implementation Agreement contains customary lock up provisions including:
 - Reciprocal break fee of \$15m
 - No shop, no talk, no due diligence, notification and matching rights, subject to typical "fiduciary outs"
- Other customary terms for a scrip based merger

Indicative Timeline

- Late 2015 – Scheme Booklet expected to be dispatched to M2 shareholders
- Early 2016 – M2 shareholder vote
- Early 2016 – Scheme implementation and delisting of M2 from the ASX

Disclaimer

This presentation contains forward looking statements that involve risks and uncertainties. These forward looking statements are not guarantees of Vocus' or M2's future performance and involve a number of risks and uncertainties that may cause actual results to differ materially from the results discussed in these statements.

This presentation only contains information required for a preliminary evaluation of the company and in particular only discloses information by way of summary within the knowledge of the companies and their directors.

An investor should seek its own independent professional advice in relation to the technical, financial, taxation, legal and commercial matters relating to any investment in Vocus or M2.

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