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## **ANNUAL GENERAL MEETING**

29 October 2015

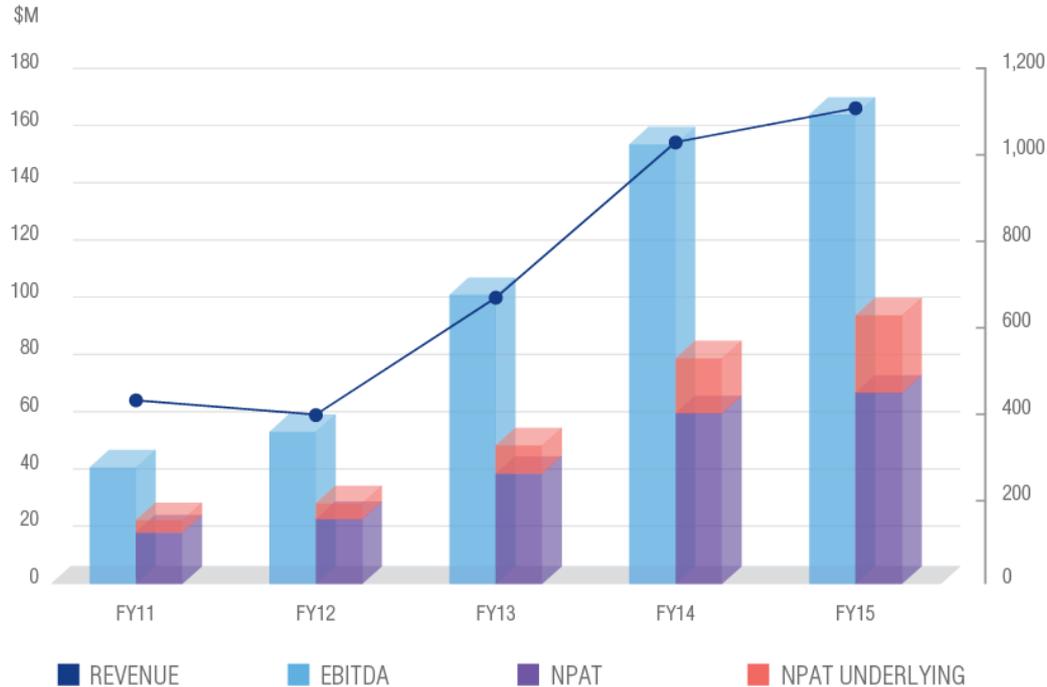
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Geoff Horth, CEO

# FY15 RESULT



# CONTINUED GROWTH IN KEY METRICS



REVENUE<sup>1</sup> UP 9% TO  
**\$1.12 billion**

EBITDA<sup>2</sup> UP 6% TO  
**\$170.5 million**

NPAT<sup>2,3</sup> UP 10% TO  
**\$73.7 million**

NPAT (UNDERLYING, EX TRANS  
COSTS)<sup>2,3</sup> UP 17% TO  
**\$100.2 million**

Compared to previous corresponding period

- 1) Includes one month contribution from CallPlus Group, from 1 June 2015
- 2) Reported EBITDA and NPAT are affected by transaction costs for CallPlus Group (\$10.2m and \$8.8m respectively)
- 3) Underlying NPAT includes an add-back of a non-cash cost of \$17.7 million for amortisation (\$18.3 million in the previous corresponding period, tax affected) associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards) as well as an add-back of transaction costs for CallPlus Group of \$8.8 million

# FY15 EARNINGS EXCEEDS GUIDANCE



	EBITDA (\$M)	% growth on pcp	NPAT (\$M)	% growth on pcp
Reported	170.5	6%	73.7	10%
Add back one-off transaction costs	10.2		8.8	
Reported, ex transaction costs	180.7	13%	82.5	23%
Customer Contract Amortisation			17.7	
Underlying NPAT, ex trans costs <sup>1</sup>			100.2	17%

- One off transaction costs include elimination of \$4.8 million item on balance sheet relating to establishment fee from previous refinance
- Reported NPAT, excluding transaction costs, growth of 23% exceeds guidance of 15-20% growth

1) Underlying NPAT includes an add-back of a non-cash cost of \$17.7 million for amortisation (\$18.3 million in the previous corresponding period, tax affected) associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards) as well as an add-back of transaction costs for CallPlus Group of \$8.8 million

# 23% GROWTH IN DIVIDEND



FULLY FRANKED FINAL DIVIDEND

**17.0 CENTS PER SHARE**

EARNINGS PER SHARE

**UP 9% TO 40.5 CENTS**

UNDERLYING EARNINGS PER SHARE<sup>1</sup>

**UP 16% TO 55.2 CENTS**

TOTAL FY15 DIVIDEND, FULLY FRANKED,

**32.0 CENTS PER SHARE**

Compared to previous corresponding period

1) Underlying NPAT and EPS include an add-back of a non-cash cost of \$17.7 million for amortisation (\$18.3 million in the previous corresponding period, tax affected) associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards) as well as an add-back of transaction costs for CallPlus Group of \$8.8 million

# GROWTH IN SERVICES IN OPERATION

SIO ('000s)	30 Jun 15	30 Jun 14	Net Change
Fixed Voice	805	773	32
Mobile	220	225	(5)
Broadband	530	482	48
Energy	116	93	23
<b>Total</b>	<b>1,671</b>	<b>1,573</b>	<b>98</b>

SIO ('000s)	Consumer	Business	Wholesale
Increase	95	12	(9)

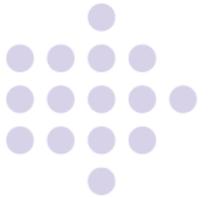
# GROWTH INSIGHTS

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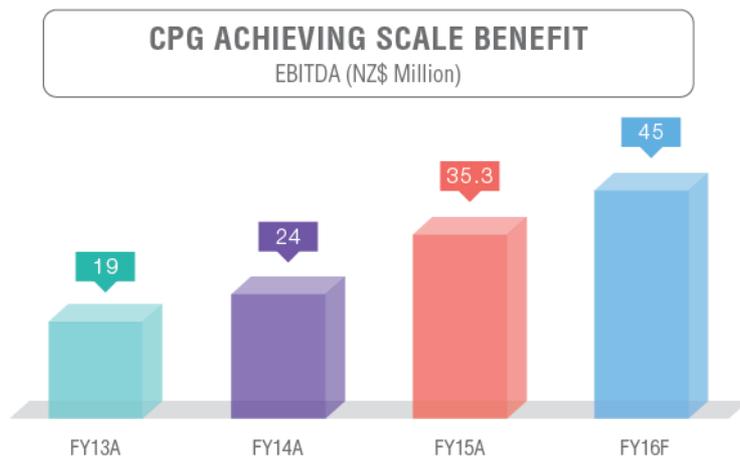
- Strong momentum in consumer segment continues with 95,000 services added
- The business segment continues organic growth with 12,000 new services
- Wholesale performance forecast to improve following implementation of new wholesale strategy
- Bundling rates remained strong in both consumer and business segments, with 93% of new broadband sales bundled with voice
- Dodo Connect Kiosk performance improving as newer sites become more established
- Connected to 21 NBN Points of Interconnect in FY15, now connected to 52 POIs with the potential to target more than one million premises

FY16



# CALLPLUS – FINANCIAL HIGHLIGHTS

- Forecast to contribute NZ\$45 million to M2 FY16 EBITDA
- Provides services to 220,000 customers across Consumer, Business and Wholesale segments
- Total of 431,000 services in operation across the following products:
  - Fixed voice: 224,000
  - Broadband: 196,000
  - Mobile: 11,000



# CALLPLUS – INTEGRATION UPDATE

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- Completed restructure, including centralisation of Finance functions in Australia
- Implemented plan to achieve synergies; on target to achieve objective for first year
- Launched M2 branding into CallPlus offices
- Integrated HR systems
- Launched Leadership Development Program
- Aligned company policies
- Introduced universal platforms for email, social media and other communication platforms

# M2 BRAND FAMILY

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TOTAL M2 GROUP SERVICES  
IN OPERATION OF 2 MILLION



*iPRIMUS*

< CONSUMER >



COMMANDER



< BUSINESS >



# FOUR STRATEGIC PILLARS

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TO OWN THE CHALLENGER SPACE IN OUR MARKETS IN AUSTRALIA AND NEW ZEALAND



## DISTRIBUTION

- Capitalise on the NBN and UFB opportunities
- Leverage our products to build new paths to market



## DIVERSIFICATION

- Build on the product / channel advantage that diversification delivers
- Explore new products that complement capability



## SIMPLIFICATION

- Easy to buy, easy to use products
- Invest in core systems and digital engagement strategy



## SATISFACTION

- Make it easy for our customers, on their terms
- Great place to work

# FY16 GUIDANCE

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# PROPOSED MERGER WITH VOCUS



# PROPOSED MERGER WITH VOCUS

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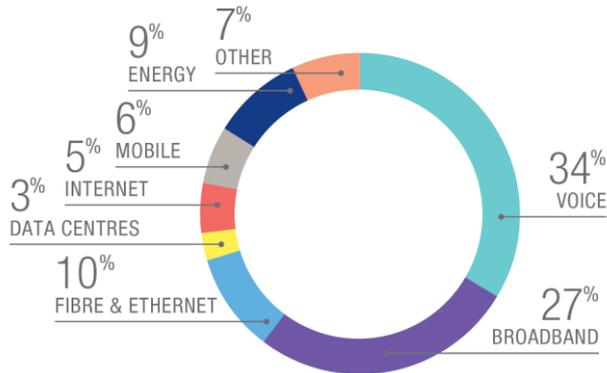
- Creation of a full-service vertically integrated trans-Tasman telecommunications company
- Combines extensive infrastructure in Australia and New Zealand with established brands and more than 2.1 million services in operation
- Product offering relevant to every individual, business and government department in Australia and New Zealand
- Revenue of c.\$1.8bn and EBITDA of c.\$370m in FY16E<sup>1</sup>, 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 \$3bn<sup>2</sup>
- Eligible to sit well within the S&P/ASX 100

(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.

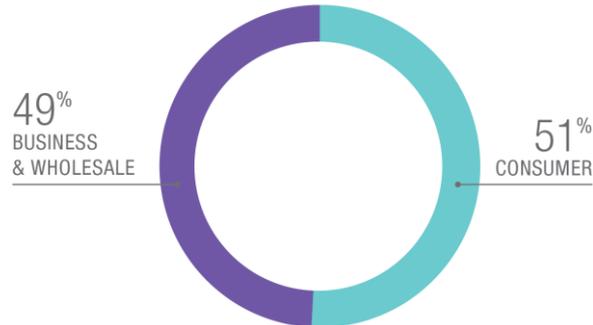
# ENHANCED REVENUE DIVERSIFICATION

COMBINED GROUP REVENUE BY PRODUCT



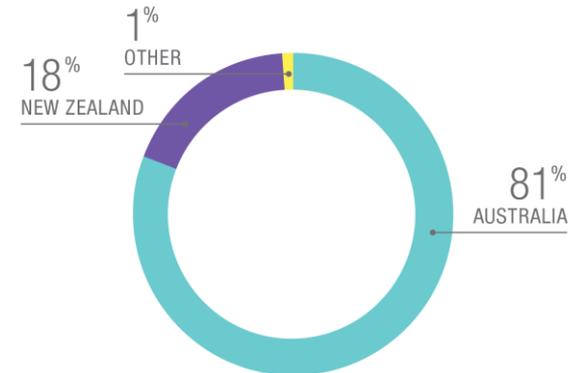
Expanded product portfolio resulting in greater diversification of revenues

COMBINED GROUP REVENUE BY SEGMENT



Even split between Consumer and Business & Wholesale

COMBINED GROUP REVENUE BY GEOGRAPHY



Australian business with meaningful New Zealand presence

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

Strategically positioned to capitalise on NBN  
in Australia and UFB in New Zealand

# DISCLAIMER

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Certain statements made in this presentation are forward-looking statements. These forward-looking statements are not historical facts but rather are based on M2's current expectations, estimates and projections about the industry in which M2 operates, and its beliefs and assumptions.

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

These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of M2, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

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