



2 November 2015

ASX Limited  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

Attention - Lux Wigneswaran

Dear Lux

**Asian Investor Presentation**

I enclose a copy of a presentation which will be given this week to certain Asian investors in relation to the proposed Vocus/M2 merger.

Yours faithfully

A handwritten signature in black ink, appearing to read "Mark Simpson".

**Mark Simpson**  
**General Counsel and Company Secretary**

Tel (02) 8999 8999  
Email [mark.simpson@vocus.com.au](mailto:mark.simpson@vocus.com.au)





# **VOCUS AND M2**

## **ASIAN ROADSHOW PRESENTATION**

**VAUGHAN BOWEN, M2 FOUNDER & EXECUTIVE DIRECTOR  
JAMES SPENCELEY, VOCUS FOUNDER & CEO**

NOVEMBER 2015

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# Vocus Communications

# About Vocus

## A trans-Tasman telecommunications infrastructure provider



Member of the S&P/ASX 200 with a market capitalisation of ~A\$1.5 billion<sup>1</sup>



A leading trans-Tasman provider of integrated telecommunication services including Fibre, Ethernet, Internet, Data Centres and Unified Communications



Extensive Australian and New Zealand fibre networks underpinned by international connectivity



Strong and diverse financial profile across product and geography

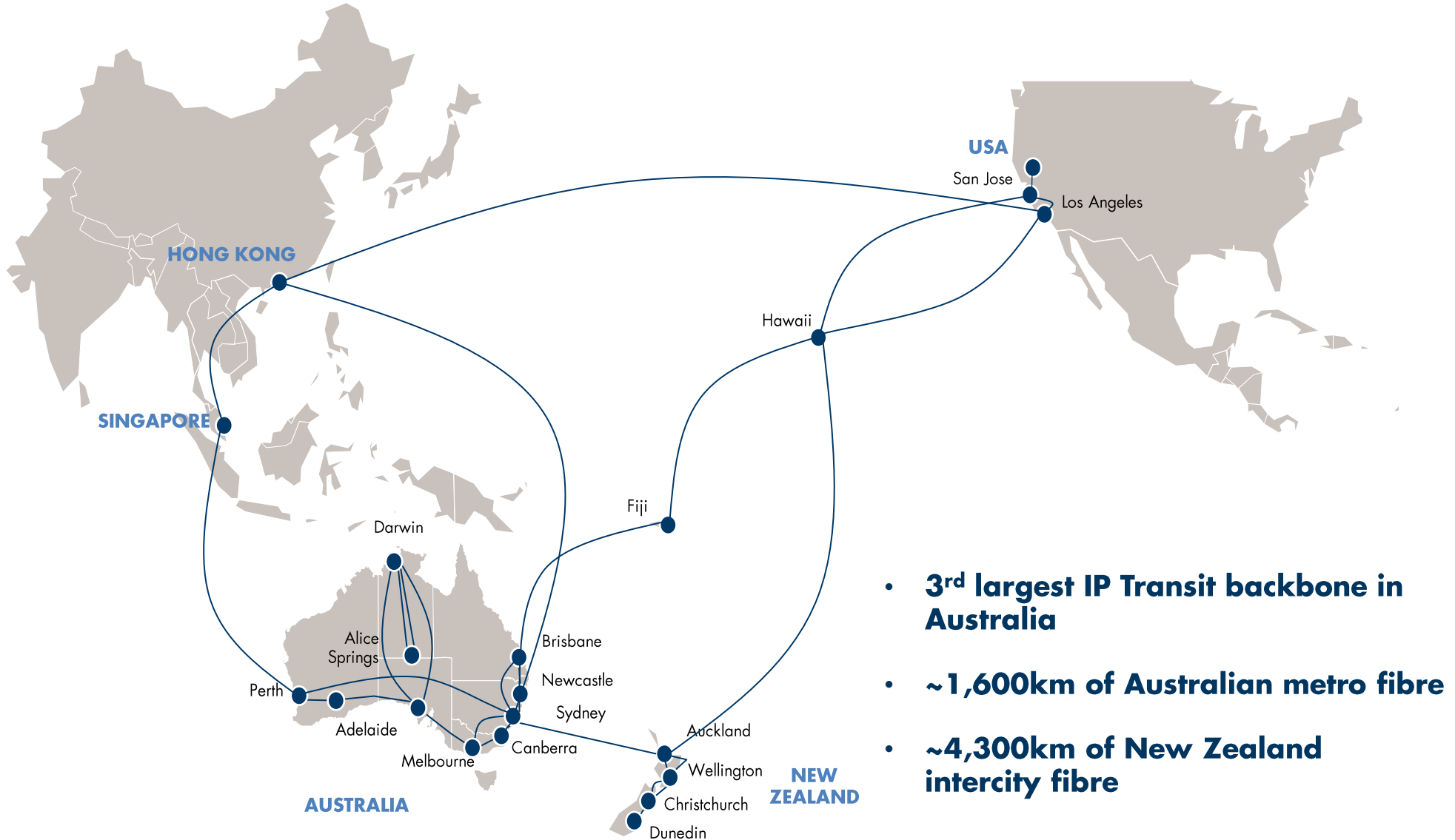


True national telco alternative for the Australian and New Zealand corporate market

*(1) Market capitalisation as at 30 October 2015, sourced from IRESS.*

# Infrastructure Network

Extensive domestic and international network connecting Australia and New Zealand

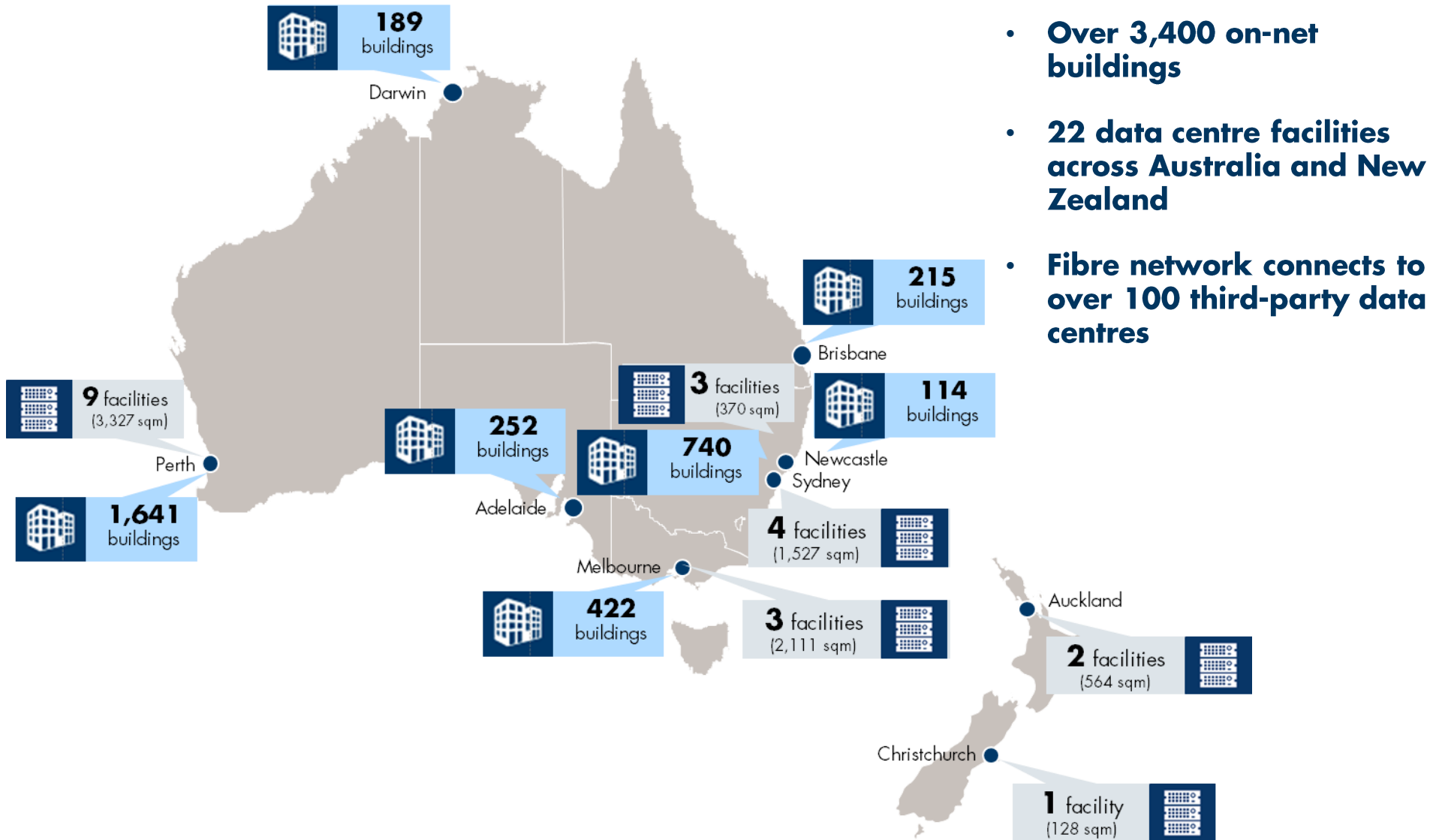


- **3<sup>rd</sup> largest IP Transit backbone in Australia**
- **~1,600km of Australian metro fibre**
- **~4,300km of New Zealand intercity fibre**

Map for illustrative purposes and not a complete representation of Vocus' entire infrastructure network.

# Infrastructure Network (cont'd)

Integrated telco solutions with expansive trans-Tasman footprint



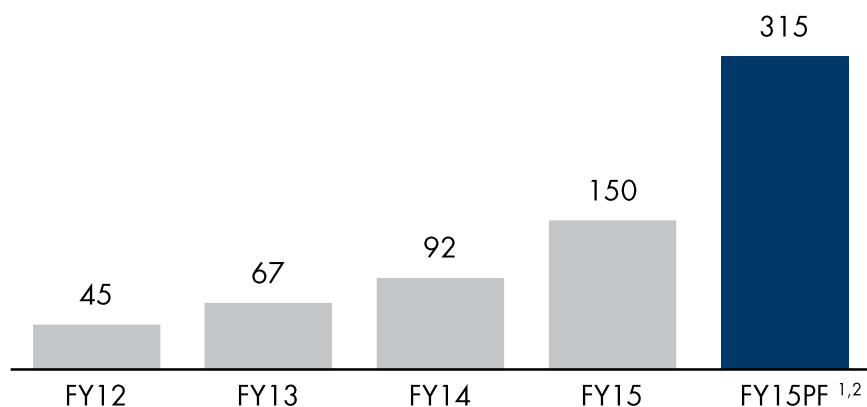
- **Over 3,400 on-net buildings**
- **22 data centre facilities across Australia and New Zealand**
- **Fibre network connects to over 100 third-party data centres**

Statistics as at October 2015.

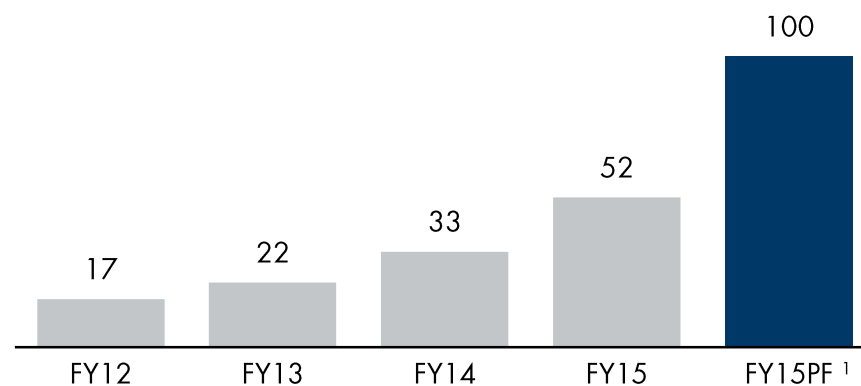
# Financial Summary

## High quality infrastructure assets delivering strong growth

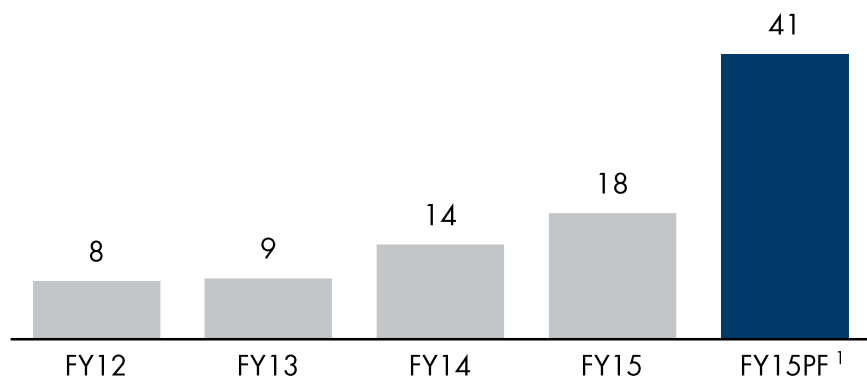
### Revenue (A\$m)



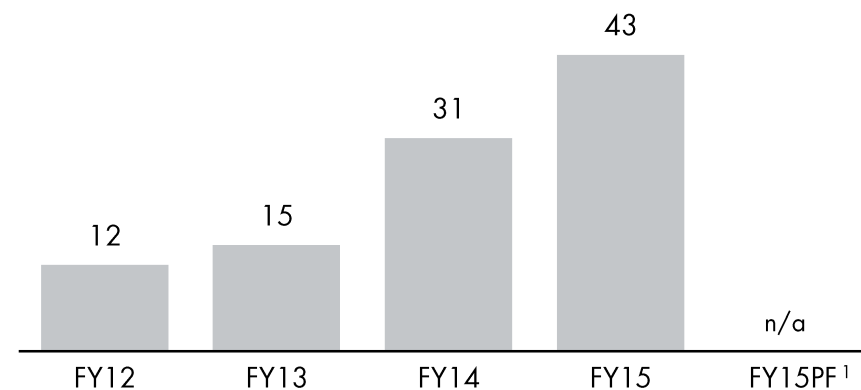
### Underlying EBITDA<sup>3</sup> (A\$m)



### Underlying NPAT<sup>3</sup> (A\$m)



### Operating Cash Flow (A\$m)



(1) FY15 pro-forma revenue to include full year unaudited contribution of Amcom (excluding synergies/intercompany adjustments).

(2) Sales revenue excluding interest income.

(3) Underlying EBITDA excludes gains on total return swaps, early repayment of borrowings, acquisition and integration costs and other gains/losses. Underlying NPAT also excludes amortisation of acquired customer contracts.

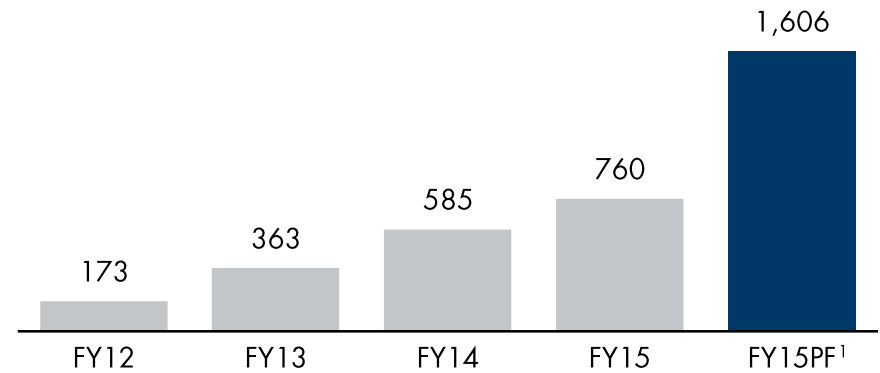


# Key Products

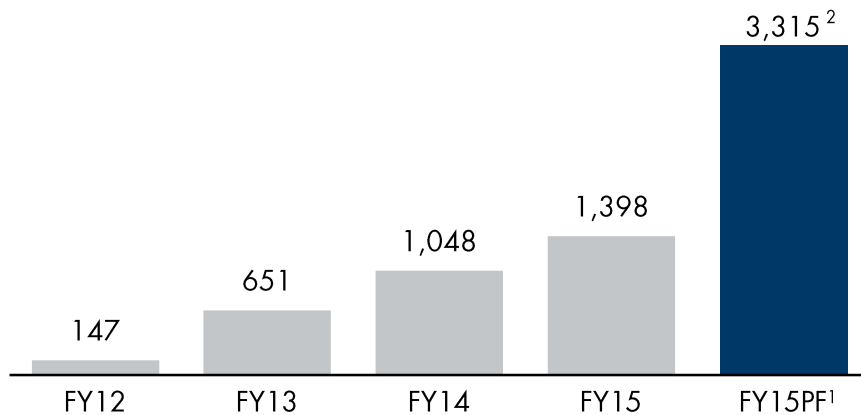
## Forward-thinking solutions

- **Four main products**
  - **Fibre and Ethernet**
  - **Internet**
  - **Data Centres**
  - **Voice**

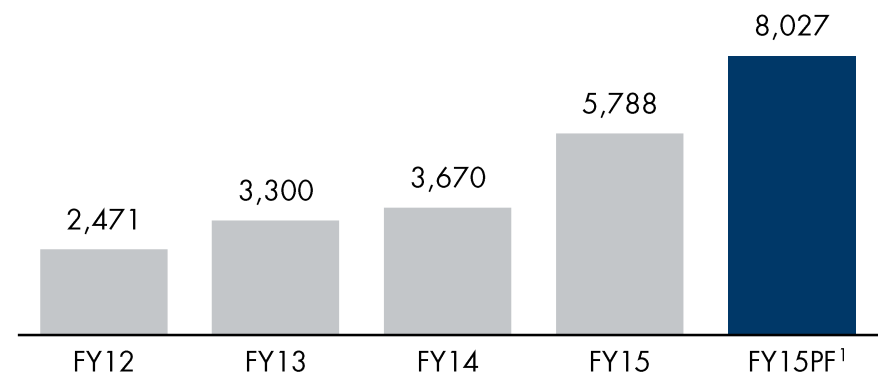
### Australian Fibre Network (km)



### On-net Buildings



### Data Centre Area (m<sup>2</sup>)

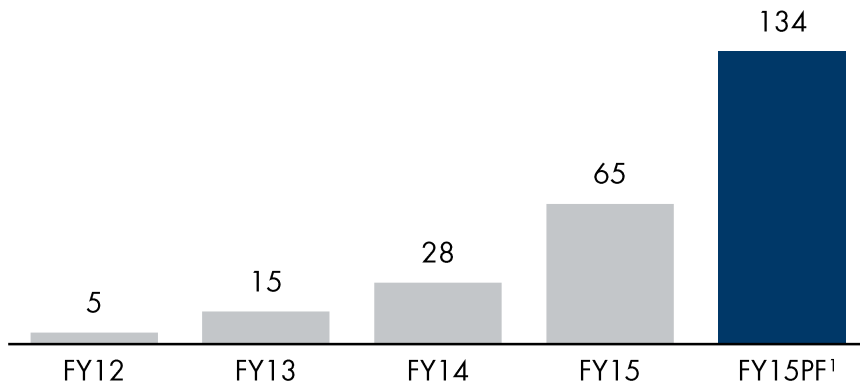


(1) FY15 pro-forma for Amcom.

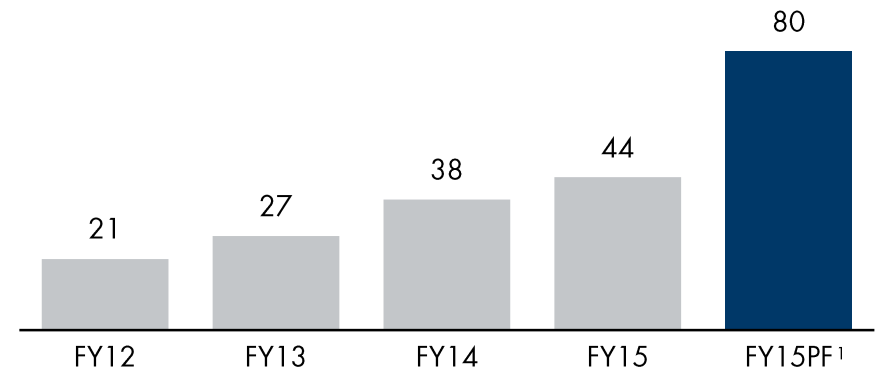
(2) On-net buildings as at 30 June 2015.

# Revenue Growth

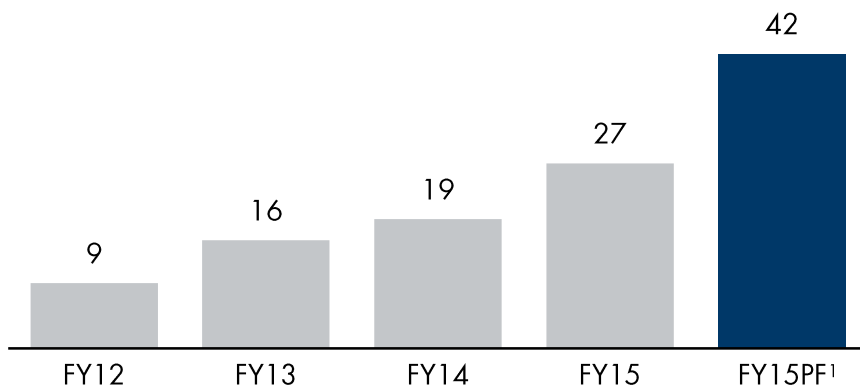
## Fibre and Ethernet Revenue (A\$m)



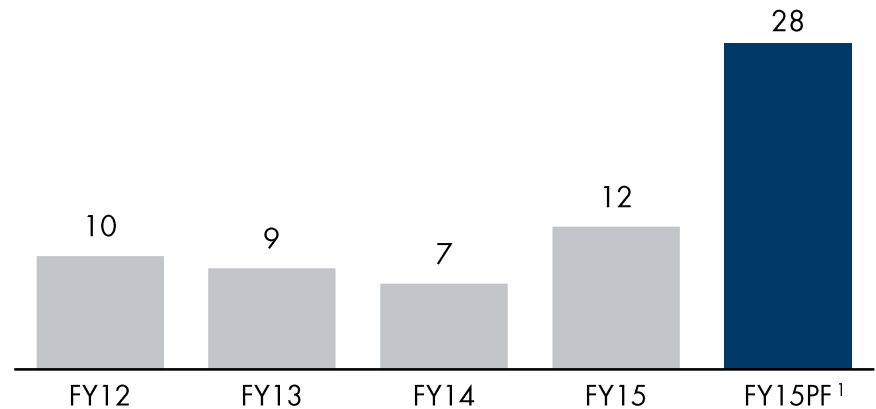
## Internet Revenue (A\$m)



## Data Centre Revenue (A\$m)



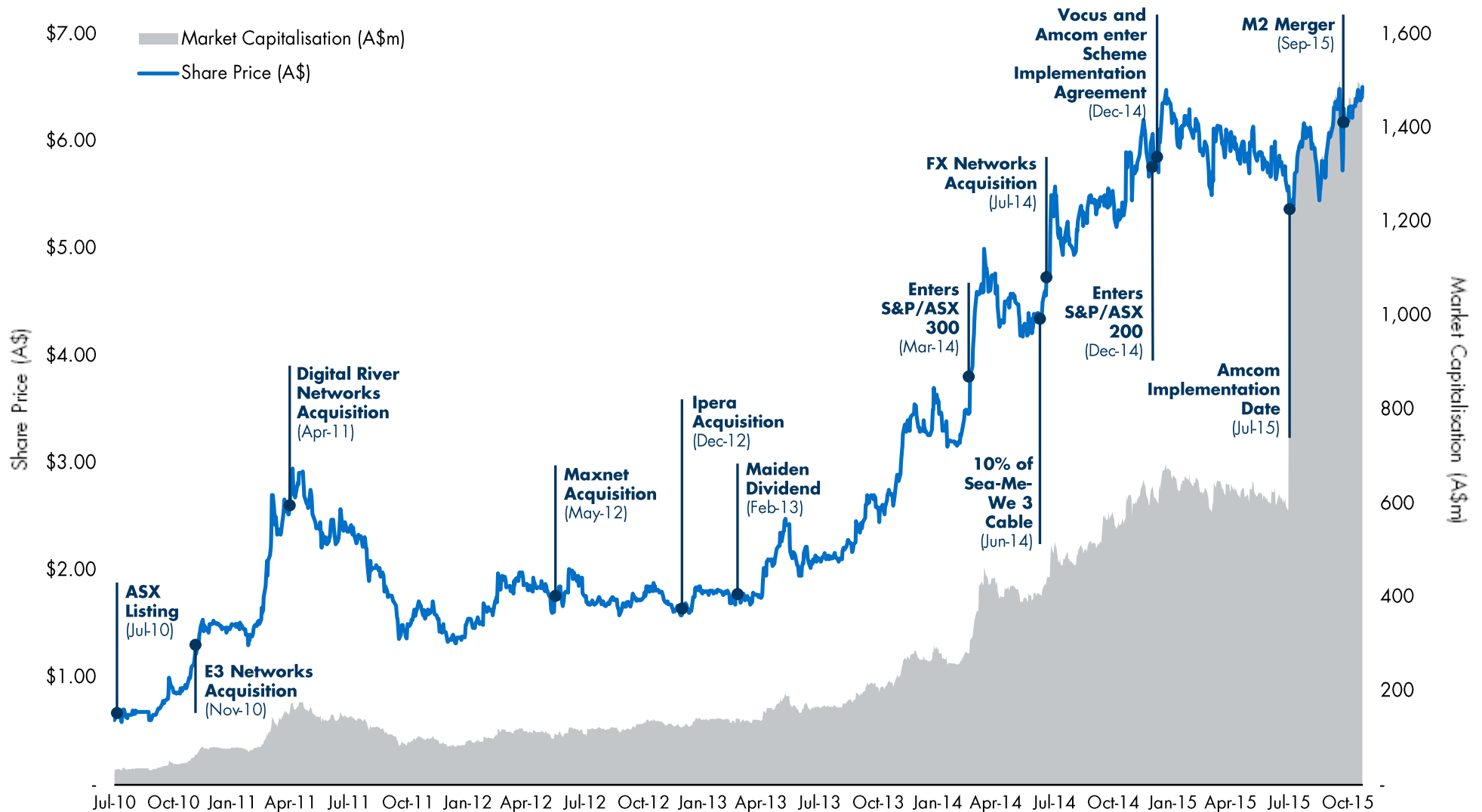
## Voice Revenue (A\$m)



(1) FY15 pro-forma revenue to include full year unaudited contribution of Amcom (excluding synergies/intercompany adjustments).  
\$314.7 million total FY15 pro-forma revenue including full year unaudited contribution of Amcom which includes Vocus' Projects (Construction) and Amcom's IT Services.

# Vocus Share Price Performance and Key Events

Focused strategy and complementary acquisitions have generated strong returns for shareholders



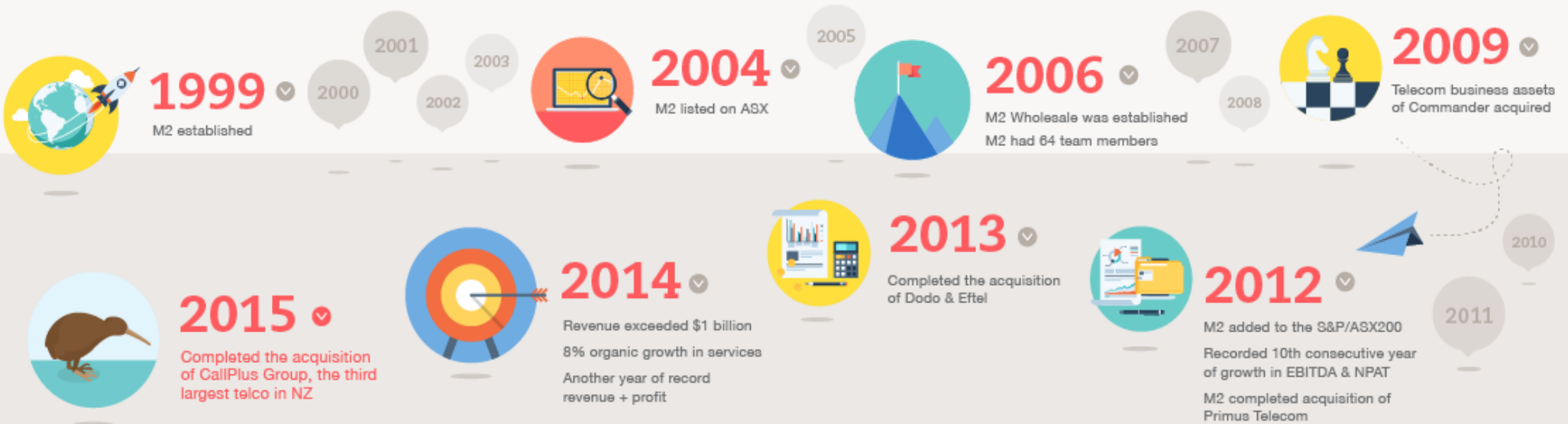
As at October 2015, sourced from IRESS.

# M2 Group

# Fast Facts About M2

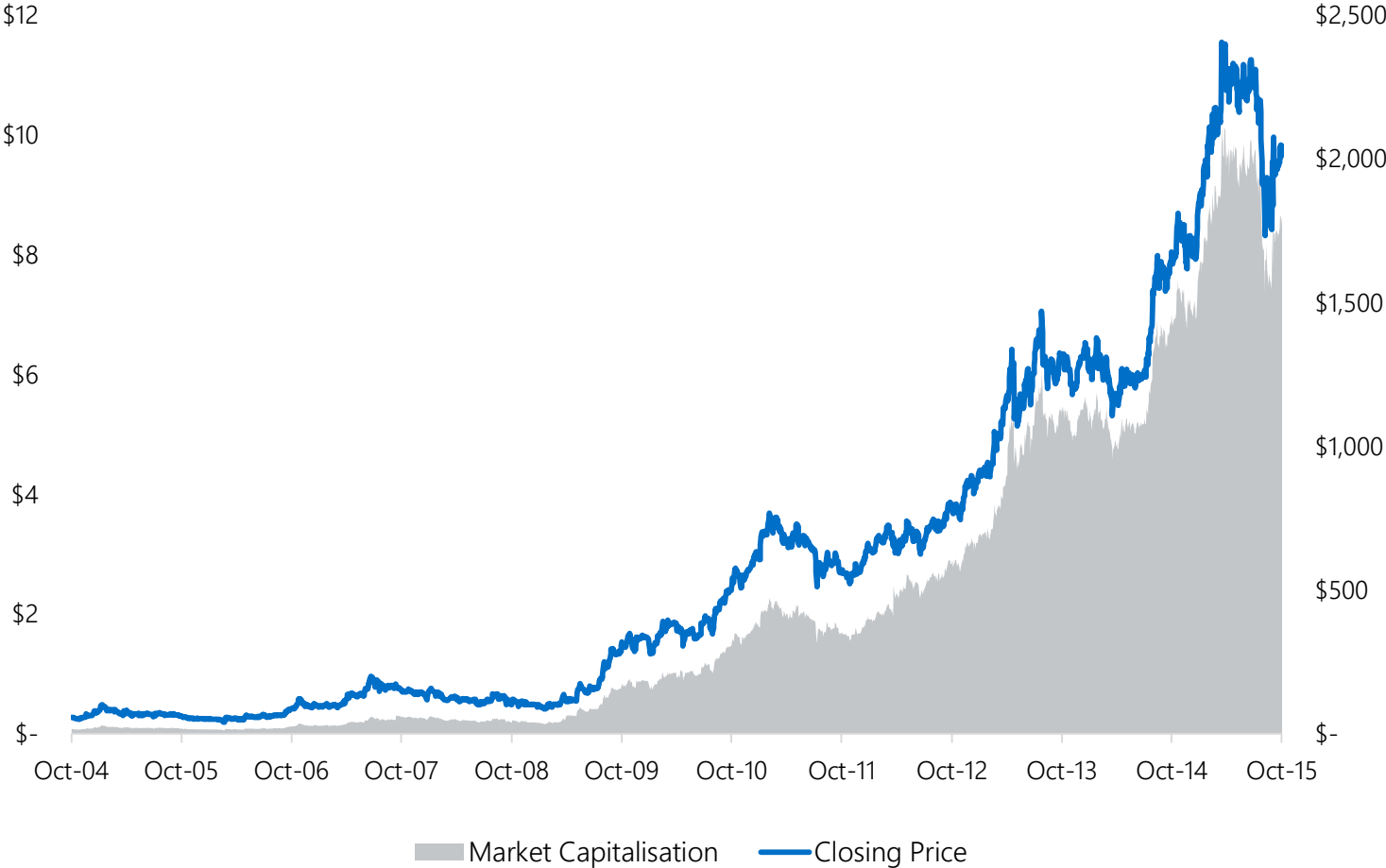
- M2 was founded in 1999 and listed on the ASX in 2004
- Operates in Consumer, Business and Wholesale segments
- Offers a full suite of traditional and next-generation telecommunications products as well as utilities and insurance
- Headquartered in Melbourne, with approximately 4000 team members in Australia & New Zealand and the Philippines
- Tele-sales Teams in Australia, New Zealand and Manila
- A dedicated Dealer Channel and 70+ Dodo Connect Kiosks in Australia
- More than 2 million services in operation across fixed voice, broadband, mobile and energy

# Our Journey



# 10+ Years as a Listed Company

TSR, since listing, of \$10.70 per share or 4280%



2004 – Market Capitalisation of \$14 million | 2015 – Market Capitalisation of \$1.8 billion

# Leading Brands

Well-recognised brands servicing different tiers of the consumer and business markets in Australia and New Zealand



TOTAL M2 GROUP SERVICES  
IN OPERATION OF 2 MILLION



*iPRIMUS*

< CONSUMER >



COMMANDER



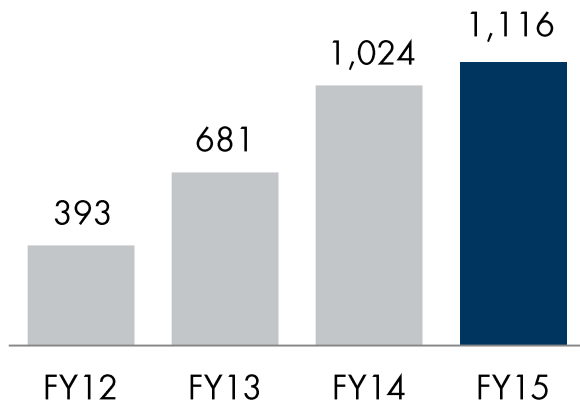
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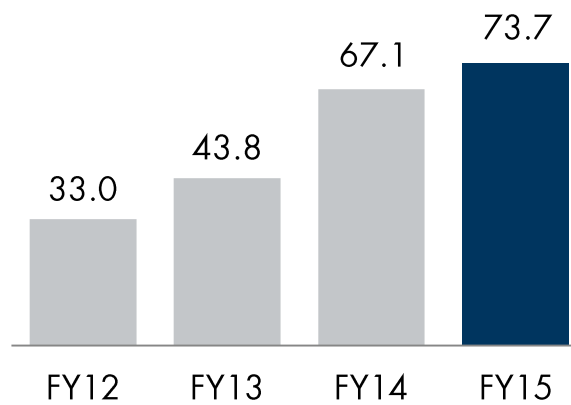


# Strong Financial Performance

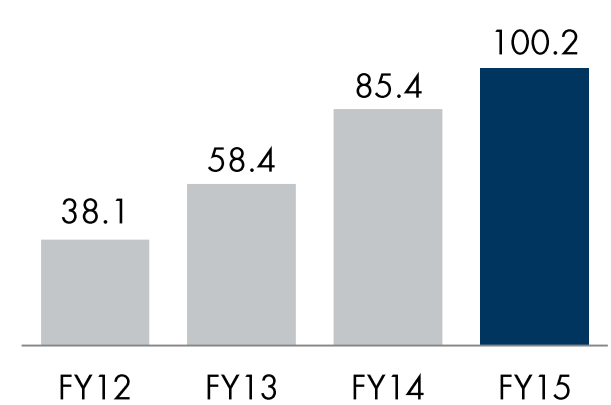
Revenue (A\$m)



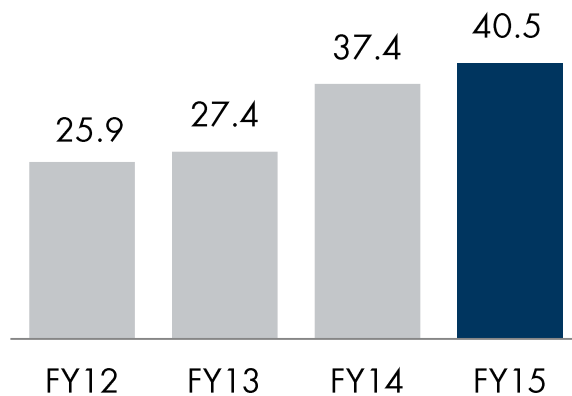
Reported NPAT (A\$m)



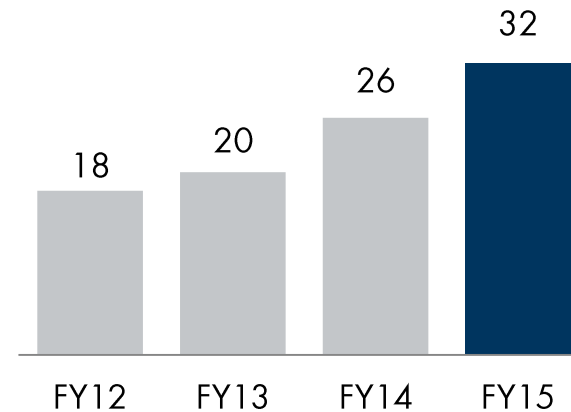
Underlying NPAT<sup>1,2</sup> (A\$m)



EPS (cents per share)



DPS (cents per share)



All at 30 June 2015.

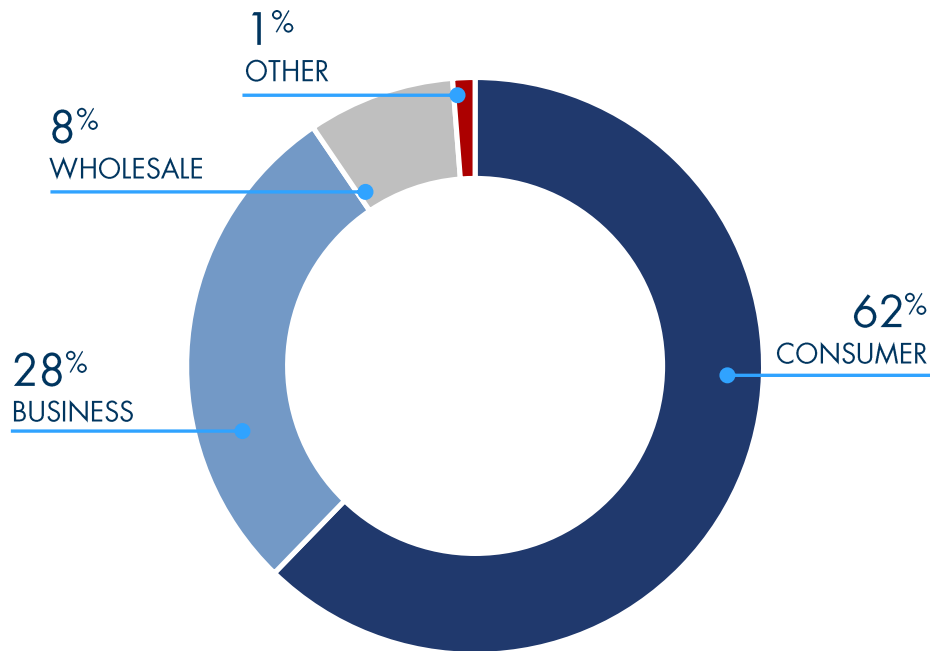
(1) Underlying NPAT includes an add-back of non-cash amortisation associated with customer contracts acquired in the relevant period (tax affected) as well as an add-back of transactions costs.

(2) FY12 and FY13 Underlying NPAT includes an add-back of non-cash amortisation associated with customer contracts acquired in the relevant period (not tax affected).

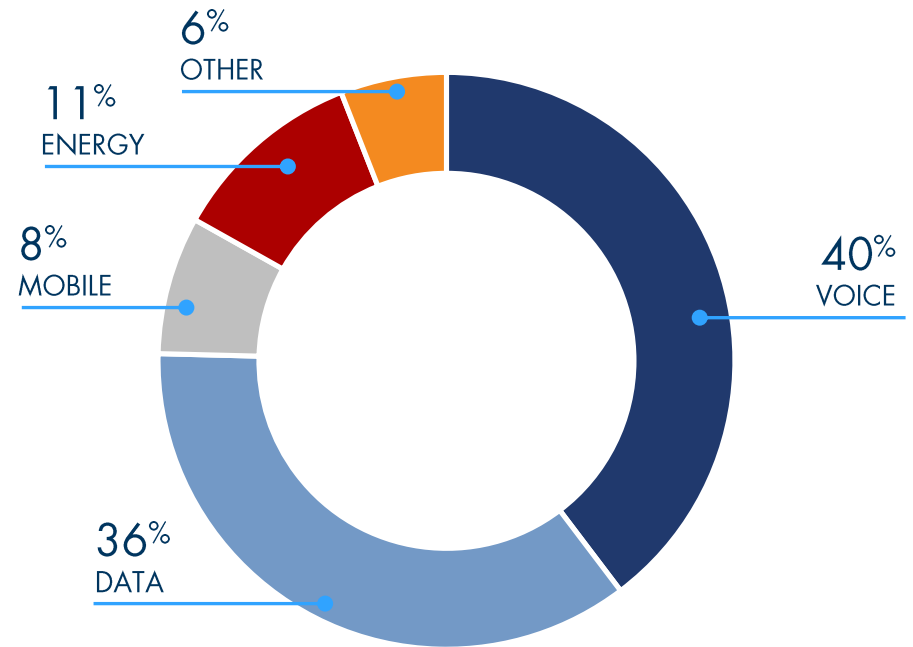
# Group Revenue Composition including CallPlus

**FY15 Pro Forma<sup>1</sup>**  
(A\$1,323 million)

**Revenue by Segment (%)**



**Revenue by Product (%)**



(1) FY15 revenue pro-forma to include full year contribution of CallPlus acquisition.

# Transaction Overview

# 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 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
- ✓ **Strategically positioned to capitalise on the National Broadband Network (“NBN”) in Australia and Ultra-Fast Broadband (“UFB”) in New Zealand**

(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.

# 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**

# 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

**dodo™**

**COMMANDER**

**VOCUS**  
communications

**VOCUS**  
communications

**iPRIMUS**

## Key New Zealand Brands

**slingshot**

**CallPlus**

**VOCUS**  
communications

**VOCUS**  
communications

**orcon®**

# 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

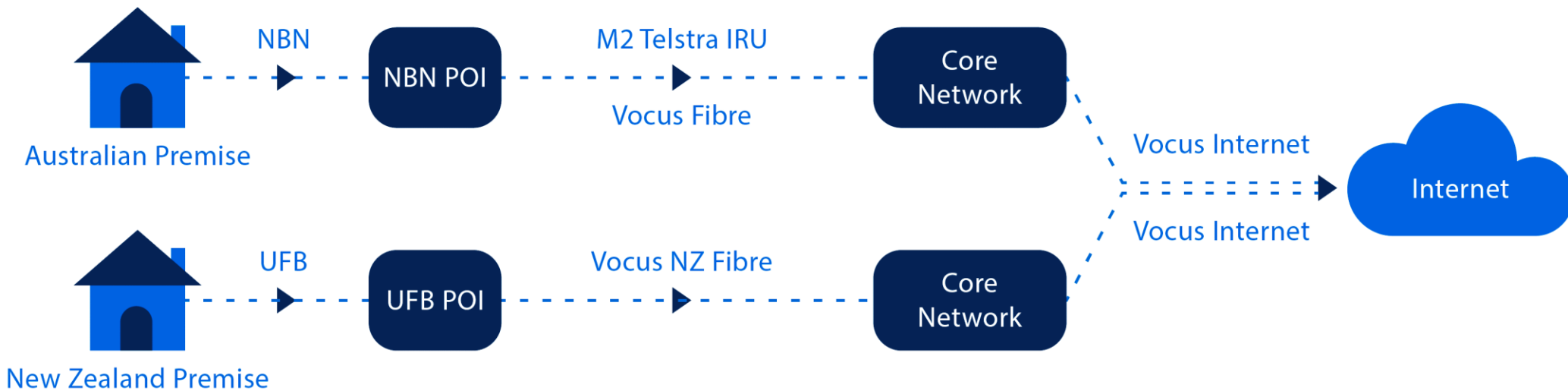
- 510 DSL enabled exchanges across Australia and New Zealand
- Submarine cable capacity connecting Australia and New Zealand to the United States, Hong Kong and Singapore
- 100% coverage of NBN Points of Interconnect (POIs)
- 100% coverage of UFB POIs in New Zealand

## 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



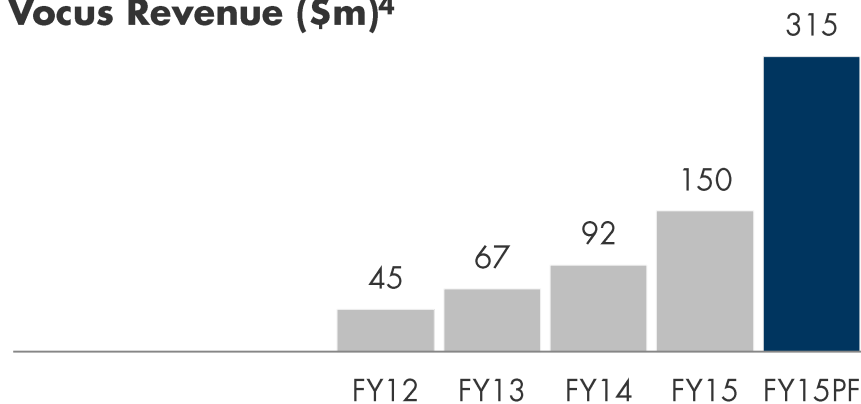
# Combined Financial Overview

# Combined Financial Strength

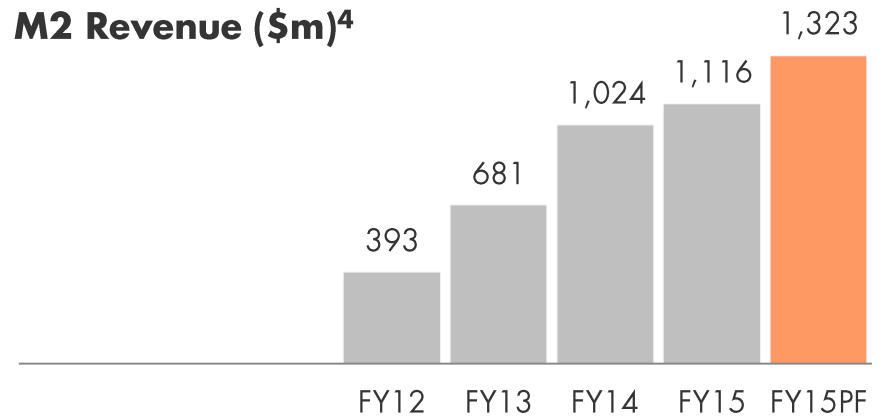
- Revenue of c.\$1.8bn and EBITDA of c.\$370m in FY16E<sup>1</sup>, before synergies
- Balance sheet flexibility with pro forma net leverage of approximately 1.8x FY16E EBITDA<sup>2</sup>
- Combined market capitalisation in excess of \$3.0bn<sup>3</sup>
- Strong free cash flow generation to enable future growth

## Both companies have proven growth track records

**Vocus Revenue (\$m)<sup>4</sup>**



**M2 Revenue (\$m)<sup>4</sup>**



(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.

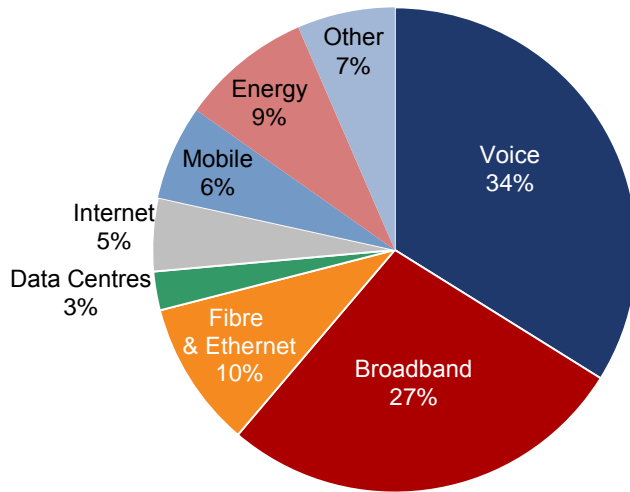
(3) Based on combined market capitalisations as at 25 September 2015, sourced from IRESS.

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

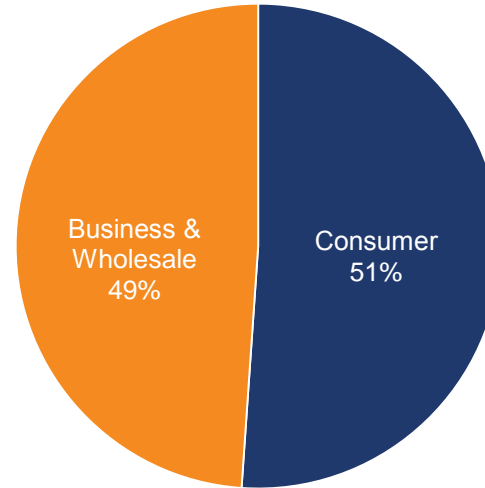
# Enhanced Revenue Diversification

FY15 Pro-Forma Basis<sup>1</sup>

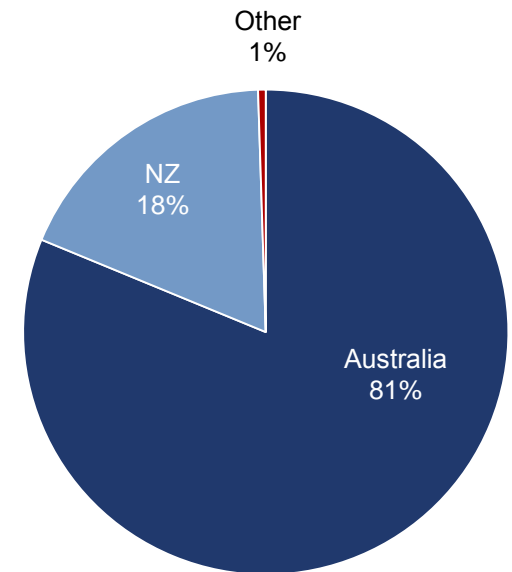
**Combined Group Revenue by Product**



**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**

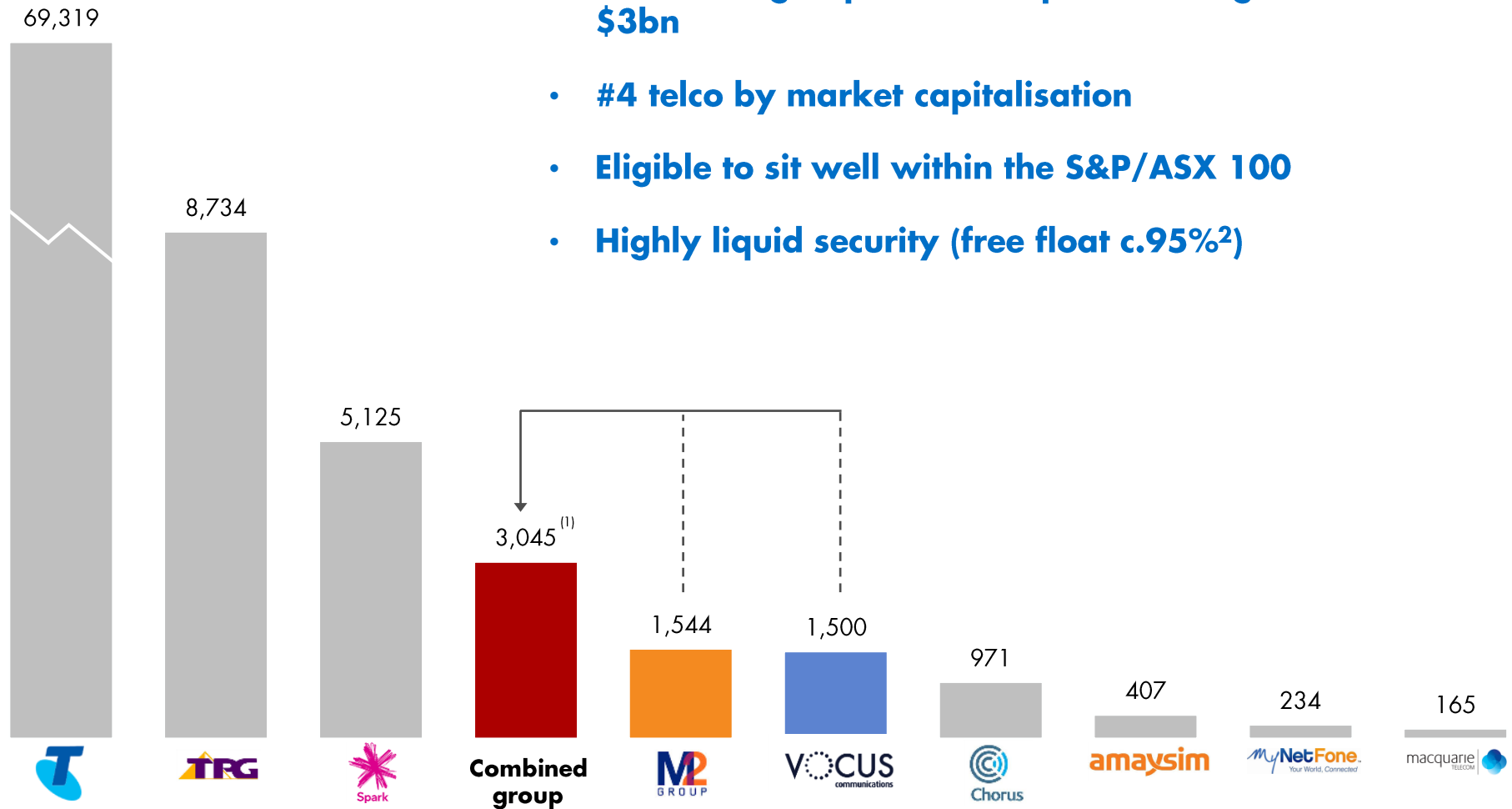
## Cost Synergies

- 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%<sup>2</sup>)

(1) Based on combined market capitalisations as at 25 September 2015 per IRESS.  
 (2) Based on Investable Weight Factor (IWF) per IRESS.

# 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

# 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

# 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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