

macquarie  
TELECOM



## Half Year Results 2016

David Tudehope and Stuart Pauly  
24 February 2016

The background features a light blue gradient with several bright, circular bokeh-like spots and rays of light emanating from the top left corner, creating a sense of depth and movement.

# **CEO Presentation**

David Tudehope

# Macquarie Telecom at a glance

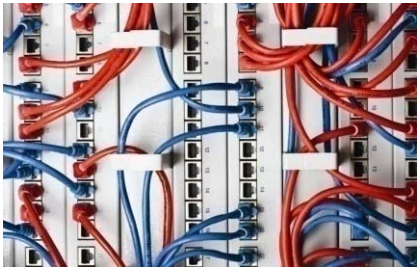
Australia's leading Managed Hosting, Cloud and Telecommunications provider to business and government customers through the delivery of service excellence

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## Hosting - Business Division

We provide secure, scalable, high-availability, co-location, fully managed hosting and cloud services for our customers' mission critical applications.



## Hosting - Government Division





We protect the Australian Government from Cyber threats with specialized Gateway, Hosting infrastructure and a range of secure cloud services.



## Telecom Division

We provide a full range of telecommunication services to corporate and government customers including fixed line voice, data networks and mobility services through a range of carriers offering choice, control and cost reduction with an outstanding customer service model.

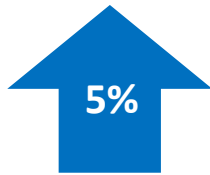
# Macquarie Telecom at a glance

	 TELECOM	  HOSTING CORPORATE IT DIGI SaaS	 HOSTING GOVERNMENT
VALUE PROPOSITION	Price, Choice, Flexibility, Control	Specialised & Compliant Hosting for Apps not suitable for Public Cloud	SIG Accreditation 100+ Cleared Engineers Secure Cloud Canberra based Intellicentre 4
COMPETITORS	   	   	 
PEOPLE / SKILL	Generalist for Voice & Mobiles TC for Data & CoLo Know Business Drivers	Hosting Specialists - Complex - Compliant	Secure Hosting Specialist Know government drivers

# Key Business Highlights

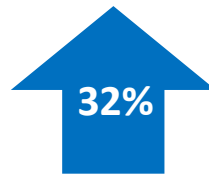
**Revenue**

**\$100.1 m**



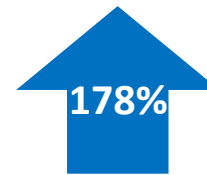
**EBITDA**

**\$15.6 m**



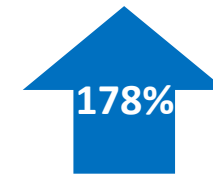
**NPAT**

**\$2.0 m**



**EPS**

**9.4 cps**

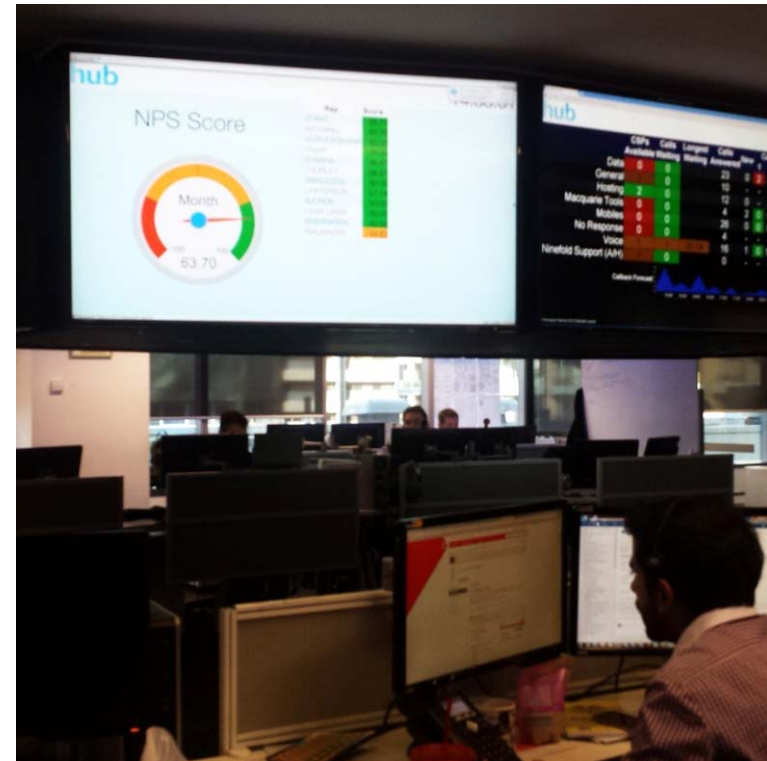


- Continued growth in revenue and EBITDA in 1H16, following on from our strong performance in 2H15, reinforces confidence in the execution of our strategic and operational plan.
- Our focus on net sales performance, NPS and operational efficiencies has contributed to this result.
- Sale of land, shell and core building of Intellicentre 2 for consideration of \$43.3 million completed on August 10 2015 and at the same time the signing of a triple net lease for 20 years with two five year options. Profit resulting from the sale of \$0.3 million is included in Hosting EBITDA for the half.
- In line with the continued performance improvement of the company a fully franked interim dividend of 25cps has been declared.

*All percentage movements indicate the performance of 1H16 relative to 1H15.*

# Great Customer Experience

- Macquarie Telecom leads the Australian telecom and IT services market in Customer Experience as measured by Net Promoter Score (NPS).
- NPS score was +60 over the 1H FY16. As a result Macquarie Telecom has seen significant improvements in customer feedback and retention and faster invoice payment.
- NPS is measured on a scale of -100 to +100, based on the ultimate question, “How likely is it that you would recommend our company to a friend or colleague?”.
- NPS is now published live on Macquarie Telecom’s website.



# Finance Presentation

Rosalia Di Prima

Stuart Pauly

# Financial Results

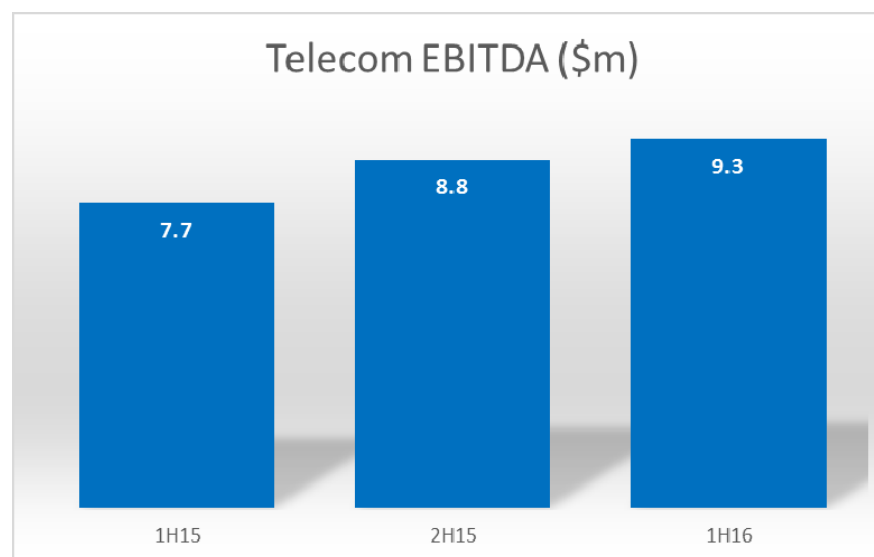
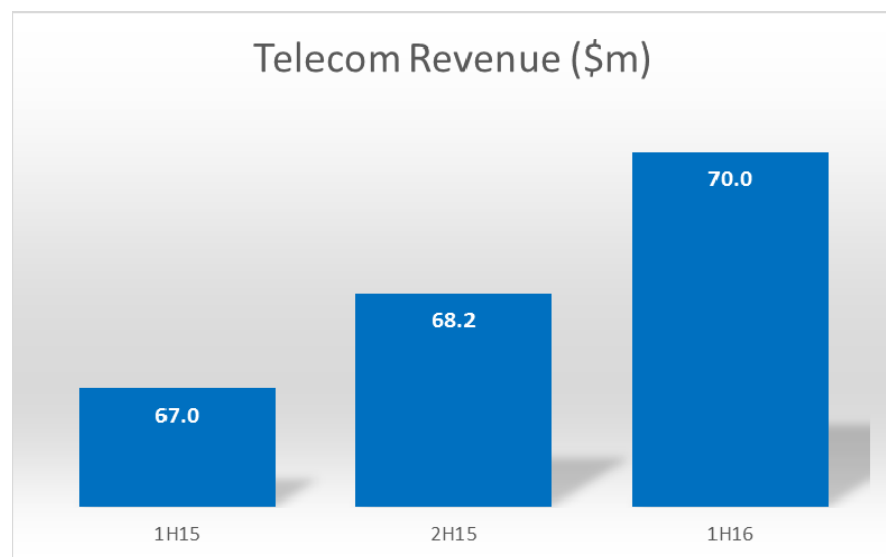
\$m	1H15	2H15	1H16	1H16 v 1H15	% change
Service Revenue					
Telecom	67.0	68.2	70.0	3.0	4%
Hosting	30.5	31.2	32.5	2.0	7%
Inter-segment <sup>1</sup>	(2.4)	(2.4)	(2.4)	0.0	
<b>Total Service Revenue</b>	<b>95.1</b>	<b>97.0</b>	<b>100.1</b>	<b>5.0</b>	<b>5%</b>
EBITDA					
Telecom	7.7	8.8	9.3	1.6	21%
Hosting <sup>2</sup>	4.1	5.7	6.3	2.2	53%
<b>Total EBITDA</b>	<b>11.8</b>	<b>14.5</b>	<b>15.6</b>	<b>3.8</b>	<b>32%</b>
Depreciation	14.8	16.5	12.9	(1.9)	13%
EBIT	(3.0)	(2.0)	2.7	5.7	190%
Interest	(0.8)	(0.6)	0.2	1.0	125%
NPBT	(3.8)	(2.6)	2.9	6.7	176%
Tax	1.3	0.8	(0.9)	(2.2)	(169%)
NPAT/(NLAT)	(2.5)	(1.8)	2.0	4.5	178%

*Note: Subsequent to the review of the business strategy and structure in the previous financial year, the composition of the reportable segments were revised to appropriately reflect this change including the allocation of Corporate Office costs. Prior period comparatives have been restated.*

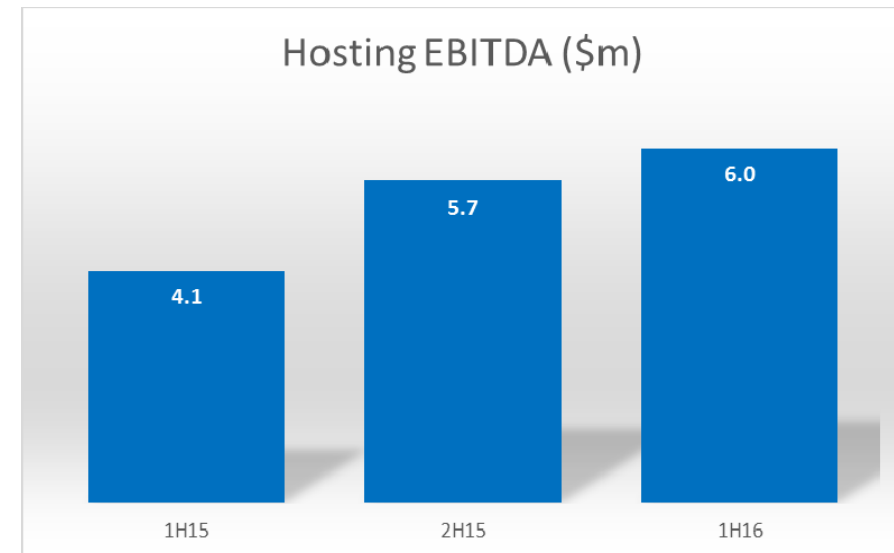
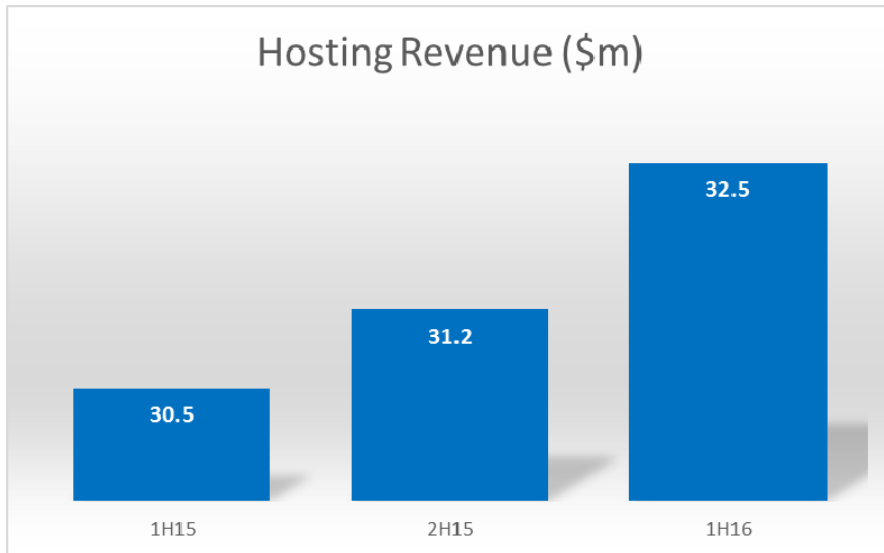
*1 Inter-segment revenue relates to services provided by the Hosting segment to the Telecom segment, eliminated on consolidation.*

*2 Hosting EBITDA in 1H16 includes \$0.3 million resulting from the sale of Intellicentre 2.*





- The growth in revenue and EBITDA experienced in 2H15 has continued in the current half.
- This continued improvement has been delivered primarily through sales order performance, higher customer retention rates and improved product offerings.
- EBITDA % has increased to 13.3% from 11.5% in the pcp.



- Continued growth trend in revenue and EBITDA over the past two consecutive halves.
- Sales order generation and pro-active commercial and operational management in both the Hosting Business and Government divisions has contributed to the improvement in the result.
- Current half EBITDA includes approx. \$3m pa lease charge of Intellicentre 2 from August 10 2015.
- Hosting EBITDA % for 1H 16 (excluding profit on sale of Intellicentre 2 of \$0.3 million) has increased to 18.5% from 13.4% in the pcp.

# Balance Sheet

\$m	1H16	FY15
Cash and cash equivalents	25.3	6.4
Other current assets	22.9	60.3
Other non-current assets	63.3	69.0
<b>Total Assets</b>	<b>111.5</b>	<b>135.7</b>
Creditors	22.7	23.0
Borrowings	0.0	21.0
Other Liabilities	4.6	4.2
<b>Total Liabilities</b>	<b>27.3</b>	<b>48.2</b>
<b>Net Assets</b>	<b>84.2</b>	<b>87.5</b>

- Cash of \$25.3 million and no debt.
- The sale of Intellicentre 2, which had a carrying value of \$43.3 million, disclosed in Other Current Assets in FY15, was completed on August 10 2015.
- Sale proceeds were used to repay borrowings.

# Cash flows

\$m	1H16	1H15	
Cash flows from Operating Activities	12.3	9.0	<ul style="list-style-type: none"> <li>• Strong conversion of EBITDA to operating cash flows</li> </ul>
Cash flows from Investing Activities	32.8	(12.4)	<ul style="list-style-type: none"> <li>• First tranche of funds for the sale of Intellicentre 2 were received on August 10 2015 of \$40.3 million.</li> <li>• BAU Capex decreased to \$7.5 million from \$8.2 million in the pcp. Growth Capex was nil in the half compared to \$4.2 million in the pcp.</li> </ul>
Cash flows from Financing Activities	(26.2)	5.5	<ul style="list-style-type: none"> <li>• Borrowings were repaid during the half.</li> <li>• Final dividend for FY15 of 25cps, fully franked, was paid during the half.</li> </ul>
Net Increase/(Decrease) in Cash Held	18.9	2.1	
Opening Cash & Cash Equivalents	6.4	4.9	
Closing Cash & Cash Equivalents	25.3	7.0	

# FY16 Outlook

	FY2016 (\$m)	FY2015 (\$m)
EBITDA	31 – 33	26
Depreciation	24 – 26	31
Business As Usual Capex	14 – 17	15

- Reflecting the Company's continued strong performance, full year EBITDA is now upgraded to be between \$31 to \$33 million.
- Depreciation for the full year is expected to be \$24 to \$26 million and business as usual capex \$14 to \$17 million in line with previous issued guidance.
- EBITDA for FY16 includes approx. \$3m pa lease charge for Intellicentre 2 from August 10 2015.
- An Investor Day will be held in May 2016 where more details around current and future strategic initiatives will be presented.

# Questions

Macquarie Telecom Group Ltd  
Half Year Results 2016

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