

# Full Year Results 2014

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28 August 2014

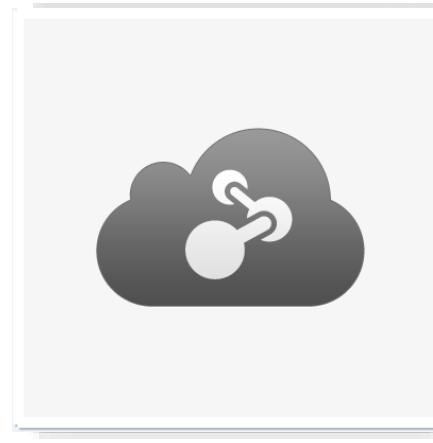


# CEO Presentation

David Tudehope

# Strategic objective

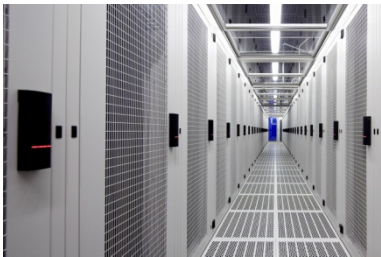
Australia's leading Managed Hosting, Cloud and Telecommunications provider to business and government customers through the delivery of service excellence



# Macquarie Telecom at a glance

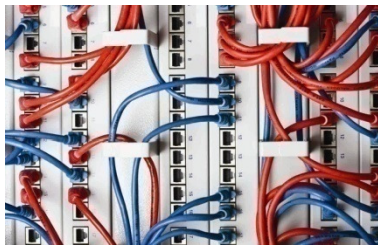


Macquarie Telecom delivers a range of Hosting, Cloud, Data, Mobile and Voice services specifically to the business and government market.



## Hosting Division

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



## Telco Division

**Data** – we offer the highest level of network service availability and optimum network solutions to support our customers' business application environments through reliable and secure IP data network services.



**Mobiles** – we provide flexible mobile solutions across multiple networks together with a wide range of enhancement management, reporting and cost control tools that enable our customers to effectively manage and control their mobile fleet and its expenditure.



**Voice** – we deliver secure, flexible and cost-effective telephony solutions developed to meet the specific business requirements of our customers and to maximise productive use of telecommunications and control unnecessary spending.

# Key Financial Metrics

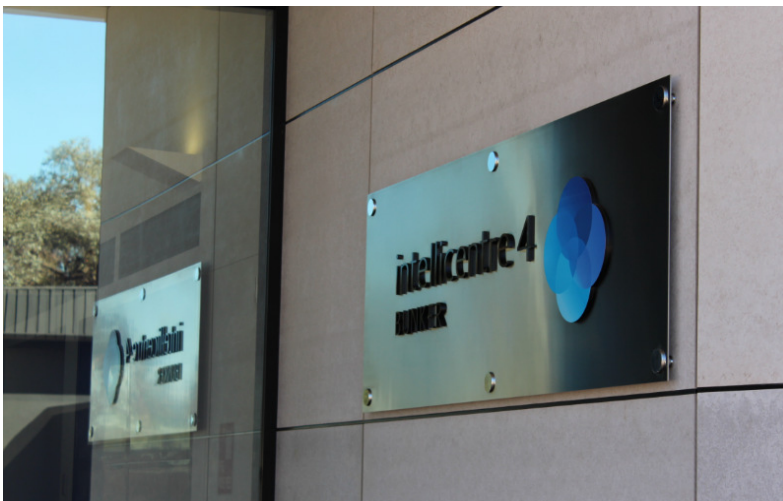
- EBITDA profit of \$25.5 million a decrease of \$9.6 million on pcg within updated guidance.
- Net loss after tax \$0.8 million a decrease of \$12.1 million on pcg.
- Results impacted by the following factors:
  1. Planned increase in operating cost, depreciation and interest expense as a result of investment in data centre capacity.
  2. Hosting customer migration from dedicated managed server infrastructure to virtualised shared server infrastructure.
  3. Migration of mobile customers to lower margin platforms offerings.
  4. Longer than expected lead times realising the contracted revenue of Federal Government Lead Agency Gateway customers
- No final dividend, total FY14 dividend 12.0 cps fully franked.

# Intellicentre 2 Update



- Approximately 1,300kW (33% of final IT load capacity) contracted as at 31 July 2014 , ahead of plan and up from 700kW contracted as at 30 June 2013.
- Fit out of the 2nd Data Hall and installation of the 3rd megawatt of IT load is expected to be completed in the first half of fiscal 2015 at a cost of approximately \$9.1 million of which \$5.1 million was spent in FY14 with the remaining \$4.0 million to be spent in the first half of fiscal 2015.
- 8 megawatt total capacity (4 megawatt IT Load) to be provisioned in line with customer demand.
- Certifications received include for Tier III design, ISO 27001, PCI DSS and ASIO T4.

# Federal Government Update



- Won Department of Agriculture, Fisheries and Forestry (DAFF), Prime Minister and Cabinet (PMC) and the Department of Treasury agency clusters.
- Invested \$15m in data centre infrastructure – Intellicentre 4 - and customer equipment in Canberra to deliver to the Lead Agency Secure Internet Gateway program.
- As at 27 August 2014 17 agencies billing. Expect all currently signed agencies to be billing by the end of the calendar year.
- Opportunity to provide additional Hosting services in the future to these agencies.
- Intellicentre 4 is the 3<sup>rd</sup> availability zone for managed hosting products.



# CFO Presentation

Michael Simmonds

# Profit Statement

\$m	FY14	FY13	Change
Revenue	196.8	206.2	(9.4)
EBITDA	25.5	35.1	(9.6)
EBIT	(0.9)	15.3	(16.2)
NPAT (NLAT)	(0.8)	11.3	(12.1)
EPS (cps)	(3.7)	54.0	(57.7)

- EBITDA profit of \$25.5 million a decrease of \$9.6 million on pcp.
- EBIT loss of \$0.9 million a decrease of \$16.2 million on pcp.
- NLAT \$0.8 million a decrease of \$12.1 million on pcp.
- EPS of -3.7 cps as compared to 54.0 in pcp.

# Revenue

Revenue \$m	Data	Voice	Mobiles	Telco	Hosting	Total
FY11	59.2	86.4	28.2	173.7	53.7	227.5
FY12	62.4	76.2	21.7	160.3	58.5	218.9
FY13	61.0	65.8	18.8	145.7	60.5	206.2
FY14	60.5	55.6	19.6	135.7	61.1	196.8
FY14 v FY13	(0.6)	(10.2)	0.7	(10.0)	0.6	(9.4)
% change	-0.9%	-15.5%	3.8%	-6.9%	1.0%	-4.6%

- Hosting revenue increased 1.0% on pcp. The increase in revenue from Intellicentre 2 and provisioning of Federal Government agencies was offset by price reductions caused by technology change as managed hosting customers progressively move from higher cost dedicated managed server infrastructure to lower cost Virtual Private Cloud, a virtualised shared server infrastructure environment.
- Telco revenue a decrease of 6.9% on pcp primarily due to reduction in Voice as further price competition and fixed to mobile and data substitution continues.
- Total revenue a decrease of 4.6% on pcp.

# EBITDA

EBITDA \$m	Data	Voice	Mobiles	Telco	Hosting	Corp Office	Total
FY11	8.8	16.2	3.6	28.6	14.5	(5.9)	37.2
FY12	10.4	17.5	3.4	31.2	15.3	(6.0)	40.6
FY13	11.2	16.2	2.0	29.4	11.1	(5.4)	35.1
FY14	9.4	15.5	(0.3)	24.6	5.9	(5.0)	25.5
FY14 v FY13	(1.8)	(0.7)	(2.2)	(4.7)	(5.3)	0.4	(9.6)
% change	-16.0%	-4.2%	-114.7%	-16.1%	-47.5%	-7.2%	-27.4%

Impact of Investments on Hosting EBITDA				
\$m	Government	IC2	Ninefold	Total
FY12	0.0	(1.2)	(4.3)	(5.5)
FY13	(2.6)	(0.6)	(2.2)	(5.4)
FY14	(3.6)	2.5	(3.3)	(4.5)

- Realisation of Federal Government LAG contracts continue to progressively generate revenue during 2H14.
- Intellicentre 2 generates positive EBITDA of \$2.5 million.

# EBITDA less Maintenance Capex

	FY11	FY12	FY13	FY14
EBITDA	37.2	40.6	35.1	25.5
Depreciation	15.4	16.2	19.8	26.4
EBIT	21.8	24.4	15.3	(0.9)
Interest	3.1	2.1	0.0	(1.1)
NPBT	24.9	26.5	15.4	(2.0)
Tax	(7.2)	(7.0)	(4.0)	1.2
NPAT	17.7	19.6	11.3	(0.8)
Maintenance Capex	18.0	17.9	18.6	20.6
Growth Capex	12.7	34.0	32.9	12.9
Total Capex	30.7	51.9	51.5	33.5
EBITDA - Maintenance Capex	19.2	22.7	16.5	4.9

The reduction in NPAT is primarily attributable to the planned impact of the significant capital investment program to increase Hosting capacity in both Sydney and Canberra. Contributing factors include:

- a) Increased operating expenses as facilities go live i.e. staff and maintenance costs.
- b) increased depreciation and amortisation charges.
- b) Increased interest cost.

# Balance sheet

\$m	FY14	FY13
Cash and cash equivalents	4.7	9.7
Gross Trade Debtors & WIP	12.4	12.0
Other Assets	129.1	118.8
<b>Total Assets</b>	<b>146.2</b>	<b>140.5</b>
Creditors	27.4	30.3
Short and Long Term Debt	23.5	9.0
Other Liabilities	3.6	3.6
<b>Total Liabilities</b>	<b>54.4</b>	<b>42.9</b>
<b>Total Equity</b>	<b>91.8</b>	<b>97.6</b>

- Strict working capital management.
- \$50 million working capital facility to support strategic growth opportunities of which \$23.5 million was drawn as at 30 June 2014.

# Cash flows

\$m	FY14	FY13
Cash flows from Operating Activities	19.0	26.1
Cash flows from Investing Activities	(33.5)	(51.5)
Cash flows from Financing Activities	9.5	4.0
Net Increase/ (Decrease) in Cash Held	(5.0)	(21.5)
Opening Cash & Cash Equivalents	9.7	30.8
Effects of exchange rate changes	0.0	0.4
Closing Cash & Cash Equivalents	4.7	9.7

- \$12.9 million investment in growth capex in FY14 including expansion of data centre capacity in Sydney and Canberra.
- Intellicentre 2 2nd Data Hall fitout and 3rd megawatt installation due for completion in first half of fiscal 2015.

# FY15 PRIORITIES

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1. Complete the delivery of Secure Internet Gateway services to the contracted Federal Government agencies in Intellicentre 4.
2. Increase momentum of Co-location sales into Intellicentre 2.
3. Drive increased performance in the core managed hosting business leveraging the industry move from dedicated managed server infrastructure offering to lower cost Virtual Private Cloud.
4. Reduce the company's cost based as it transitions from an investment to a growth focus.
5. Embrace the opportunities the NBN offers our customers for higher speed business broadband at more affordable prices
6. Leverage the company's unique multi-carrier mobile offering to help drive growth.
7. Continued investment in developing our cloud computing offerings.



# Questions

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Macquarie Telecom Group Ltd  
Full Year Results 2014

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