

macquarie
TELECOM



Half Year Results 2014

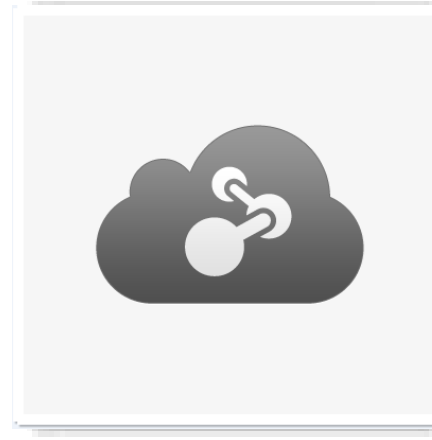
David Tudehope & Michael Simmonds

27 February 2014

CEO Presentation

David Tudehope

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



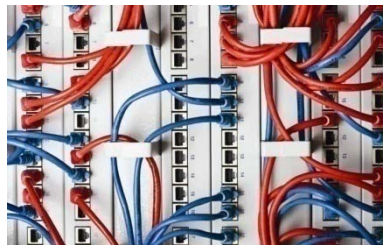
Macquarie Telecom at a glance

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 \$13.3 million a decrease of \$6.2 million on pcp, in-line with guidance, impacted by longer than expected lead times in realising the contracted revenue of some large government and corporate deals signed in fiscal 2013.
- NPAT \$0.4 million a decrease of \$7.0 million on pcp. The reduction in NPAT is in part a consequence of the significant capital expenditure program to increase Hosting capacity.
- Fully franked interim dividend of 12.0 cents per share declared.
- \$50 million working capital facility to support strategic growth opportunities of which \$24 million was drawn as at 31 December 2013.

Investing for Future Growth



Cloud
Computing



Intellicentre 2



Federal
Government



Mobility -
Bring Your
Own Device

2013 Australia Excellence Award

Data Centre Service Provider of the Year



“Macquarie Telecom demonstrated continued market leadership with a 10% revenue market share in 2012, in the highly competitive data centre services market. The company’s new data centre – IC2 - is one the leading facilities in the country. Its SLAs and redundancy, backed by its comprehensive data services and end to end service delivery capabilities, in a hybrid environment, make it the provider of choice for hosting services in the Australia data centre market.”

“The company’s latest facility – the IC4 bunker – provides it with a stronger foothold in the government sector and hosts the secure internet gateway. It is already a provider of choice for the Federal government in its gateway consolidation plan and it is also part of the AGIMO panel.”

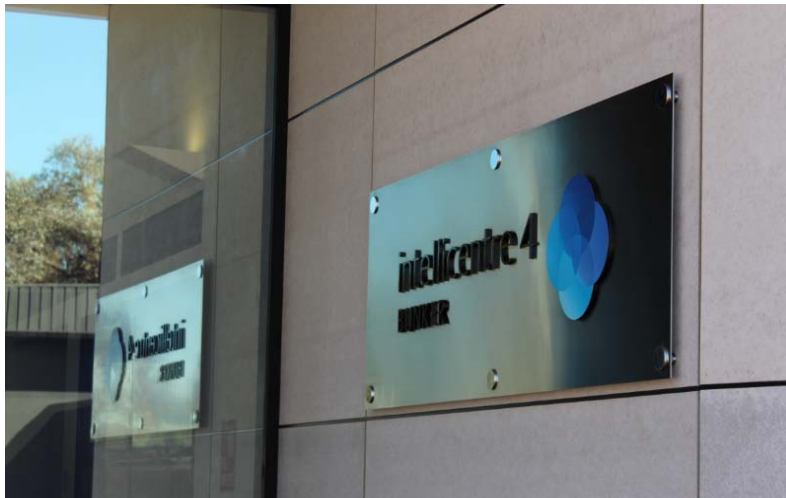
Mayank Kapoor

Industry Manager – Data Centre and Cloud Computing,
APAC ICT Practice, Frost and Sullivan

Intellicentre 2



- Approximately 1,100kW (27% of final IT load capacity) contracted as at 31 December 2013, ahead of plan and up from 700kW contracted as at 30 June.
- Fit out of the 2nd Data Hall and installation of the 3rd megawatt of IT load commenced.
- Project is expected to be completed in the first half of fiscal 2015 at a cost of approximately \$11 million of which \$6 million is expected to be spent in the second half of fiscal 2014.
- 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, ASIO T4 and Microsoft Partner -Gold Certified.



- Won Department of Agriculture, Fisheries and Forestry (DAFF), Prime Minister and Cabinet (PMC) and the Department of Treasury agency clusters.
- As at 31 December 2013 4 agencies billing.
- As at 27 February 2014 10 agencies billing.
- As at 30 June 2014 all 22 currently signed agencies expect to be billing.
- Invested \$15m in data centre infrastructure – Intellicentre 4 - and customer equipment in Canberra to deliver to the Lead Agency Secure Internet Gateway program.
- Intellicentre 4 construction in Canberra completed in July 2013. The facility is now operational.
- Opportunity to provide additional Hosting services in the future to these agencies.
- Intellicentre 4 is the 3rd availability zone for managed hosting products.

CFO Presentation





Michael Simmonds

Profit Statement

\$m	1H14	1H13	Change
Revenue	99.8	105.3	(5.3%)
EBITDA	13.3	19.5	(31.9%)
EBIT	1.0	10.0	(90.1%)
NPAT	0.4	7.4	(94.7%)
EPS (cps)	1.8	35.2	(94.8%)





- EBITDA profit of \$13.3 million a decrease of \$6.2 million on pcp.
- EBIT profit of \$1.0 million a decrease of \$9.0 million on pcp.
- NPAT \$0.4 million a decrease of \$7.0 million on pcp.
- EPS of 1.8 cps as compared to 35.2 in pcp.

Revenue

Revenue \$m	Data	Voice	Mobiles	Telco	Hosting	Total
2H12 	31.1	36.5	10.2	77.8	28.9	106.7
1H13 	30.7	34.2	9.7	74.7	30.7	105.3
2H13 	30.4	31.6	9.1	71.1	29.8	100.8
1H14 	31.3	28.9	9.2	69.4	30.3	99.8
1H14 v 1H13	0.6	(5.3)	(0.5)	(5.2)	(0.4)	(5.6)
% change	2.0%	-15.5%	-5.5%	-7.0%	-1.2%	-5.3%
1H14 v 2H13	0.9	(2.6)	0.1	(1.6)	0.6	(1.1)
% change	3.1%	-8.4%	0.9%	-2.3%	1.8%	-1.1%

- Hosting revenue decreased 1.2% on pcp and increased 1.8% on previous half. The decrease on pcp was primarily attributable to a combination of:
 - realisation delays; and
 - price reductions in the Managed Hosting business caused by technology change.
- Telco revenue a decrease of 7.0% on pcp primarily due to reduction in:
 - Voice as further price competition and fixed to mobile and data substitution continues; and
 - Mobiles due to impact of Vodafone network issues
- Total revenue a decrease of 5.3% on pcp and 1.1% on previous half.

EBITDA

EBITDA \$m	Data	Voice	Mobiles	Telco	Hosting	Corp Office	Total
2H12 	4.9	8.3	1.5	14.7	7.7	(3.0)	19.4
1H13 	5.5	8.7	1.5	15.7	6.8	(3.0)	19.5
2H13 	5.6	7.5	0.5	13.6	4.3	(2.3)	15.6
1H14 	5.2	8.0	0.2	13.3	2.8	(2.8)	13.3
1H14 v 1H13	(0.3)	(0.8)	(1.3)	(2.4)	(4.0)	0.2	(6.2)
% change	-5.8%	-8.8%	-89.1%	-15.1%	-59.1%	6.5%	-31.9%
1H14 v 2H13	(0.4)	0.4	(0.3)	(0.3)	(1.5)	(0.5)	(2.3)
% change	-7.0%	5.9%	-68.7%	-2.2%	-35.0%	20.7%	-14.7%

Impact of Investments on Hosting EBITDA				
\$m	Government	IC2	Ninefold	Total
2H12	0.0	(0.7)	(2.3)	(2.9)
1H13	(0.7)	(0.5)	(1.4)	(2.5)
2H13	(1.9)	(0.1)	(0.8)	(2.9)
1H14	(2.4)	1.0	(1.6)	(3.1)
2H14 (Forecast)	(1.2)	1.7	(1.8)	(1.2)

Note: 2H14 is based on current forecasts and subject to change

- Realisation of Federal Government LAG contracts has started to progressively generate revenue at the back end of 1H14.
- Intellicentre 2 generates positive EBITDA of \$1.0 million.
- Ninefold investment to continue in 2H14.

EBIT & NPAT

\$m	2H12	1H13	2H13	1H14
EBITDA	19.4	19.5	15.6	13.3
Depreciation	8.3	9.6	10.3	12.3
EBIT	11.2	10.0	5.3	1.0
Interest	0.8	0.2	(0.2)	(0.5)
NPBT	12.0	10.2	5.2	0.5
Tax	(3.5)	(2.8)	(1.2)	(0.1)
NPAT	8.5	7.4	4.0	0.4

The reduction in NPAT is a planned consequence of the significant capital expenditure 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) reduced interest revenue.

Balance sheet

\$m	1H14	1H13
Cash and cash equivalents	11.1	17.1
Gross Trade Debtors & WIP	15.7	13.7
Other Assets	120.8	100.5
Total Assets	147.6	131.3
Creditors	24.6	31.0
Short and Long Term Debt	24.0	0.0
Other Liabilities	3.5	4.2
Total Liabilities	52.2	35.1
Total Equity	95.5	96.2

- Strict working capital management.
- \$50 million working capital facility to support strategic growth opportunities of which \$24 million was drawn as at 31 December 2013.
- Fully franked interim dividend of 12.0 cps.

Cash flows

\$m	1H14	1H13
Cash flows from Operating Activities	5.8	12.8
Cash flows from Investing Activities	(17.0)	(23.9)
Cash flows from Financing Activities	12.5	(2.5)
Net Increase/(Decrease) in Cash Held	1.3	(13.6)
Opening Cash & Cash Equivalents	9.8	30.8
Closing Cash & Cash Equivalents	11.1	17.1

- \$4.0 million investment in expanding data centre capacity in Sydney and Canberra in 1H14.
- Intellicentre 2 additional megawatt now installed.
- Intellicentre 2 2nd Data Hall fitout and 3rd megawatt installation commenced.

FY14 PRIORITIES

- The delivery of Secure Internet Gateway services to contracted DAFF, PMC and Treasury agency clusters in Intellicentre 4.
- Co-location sales into Intellicentre 2.
- Continued automation of both Hosting and Telco products and services.
- Leveraging the company's unique multi-carrier mobile offering.
- Continued investment in developing our Cloud Computing capabilities.

OUTLOOK

- EBITDA profit is expected to grow from \$13.3 million in the first half to between \$14.7 million and \$16.7 million in the second half resulting in an expected full year EBITDA profit range of between \$28 million and \$30 million as revenues from large government and corporate customers are realised.
- Capital expenditure for fiscal 2014 is expected to be \$36 million in line with previous guidance provided at the 2013 Annual General Meeting.

Questions

Macquarie Telecom Group Ltd
Half Year Results 2014

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