Half Year Results.

2020.

26 February 2020
2 Key Business Highlights.

- Eleven consecutive halves of revenue and EBITDA growth
- EBITDA CAGR of 18.5% over the last 3 years (excluding AASB16 13.3%)
- All Business Units grew revenue with particularly strong growth in Cloud and Government
- Government signed agreement with ATO to provide Secure Internet Gateway (SIG) and cyber security services
- Construction of Intellicentre 3 East (IC3 East), commenced in January with a 12 month build timeframe. Update to be provided later in the year
- Remaining undrawn debt facility of $93m with a syndicate of banks executed to fund the build of IC3 data centre
- Telecom continue to migrate services to the nbn network in line with plan
- Primary focus on customer service with an ASX leading net promoter score of +71
### Business Summary

<table>
<thead>
<tr>
<th>Business Areas</th>
<th>Telecom</th>
<th>Cloud Services</th>
<th>Government</th>
<th>Data Centres</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percentage of Revenue and EBITDA in H120</strong></td>
<td><img src="image" alt="Diagram" /></td>
<td><img src="image" alt="Diagram" /></td>
<td><img src="image" alt="Diagram" /></td>
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</tr>
<tr>
<td>Revenue</td>
<td>54%</td>
<td>31%</td>
<td>46%</td>
<td>69%</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
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</tbody>
</table>

### What we do
- **Telecom**: For business, we are the full service provider of data, voice, mobile, & colocation services. We are the telecom that does everything refreshingly different. We are where the Macquarie story started.
- **Cloud Services**: For business customers we are the specialists in hybrid IT. We integrate colocation, cloud & dedicated servers. Different applications need different types of hosting. We manage it.
- **Government**: We are the Australian specialists in cyber security, secure cloud & colocation for Federal Government. We deliver services to 42% of Federal Government agencies.
- **Data Centres**: We are developers & operators of data centres for wholesale customers including underpinning our three internal BU’s colocation services.

### Value proposition
- **Telecom**: Customer Service, Price, Choice, Flexibility, Control
- **Cloud Services**: Customer Service, Specialised and Compliant Hosting. For apps not suitable for Public Cloud
- **Government**: Customer Services, Security Operations Centre (SOC), Cyber Security, ASD-Certified Cloud, Data Centre in Canberra
- **Data Centres**: Customer Services, Commercial and Design Flexibility, Physically Secure for Federal Government, Highly Certified, Local and Data Sovereignty, Proven track record

### Competitors
- Telstra, Optus, Vocus, NEXI, Amazon Web Services, Rackspace
- Verizon, AT&T, CenturyLink, Equinix, Global Technical LP

### People / Skill
- **Telecom**: Generalist for Voice & Mobiles, TC for Data & Colo know Business Drivers
- **Cloud Services**: Cloud Specialists: Custom and Compliant
- **Government**: Cyber Security and Hosting Specialist know Government Drivers
- **Data Centres**: Australian Data Centre Specialists
Macquarie Telecom
- #1 in Asia Pacific for SDWAN
- Half of Macquarie customers successfully migrated to NBN
- Strong cross sell of Cloud Services solutions into Telecom’s customers
- Launching of Cloud PBX Product “Hello”

Macquarie Cloud Services
- Continues to grow successfully leveraging the Hybrid IT megatrend
- Managed Azure Practice developing a pathway to public cloud
- 2019 Dell EMC Rising Star award
- 2019 Great Place to Work – Top 20

Macquarie Government
- 42% of Australian Government agencies
- ASD certified cloud for classified / protected workloads
- ATO cyber security contract, $20m over the initial 3 year term
- Investing in upgrading the whole of Government Secure Internet Gateway, across our data centres

Macquarie Data Centres
- Construction of IC3 East commenced in January 2020
- Macquarie Park Data Centre Campus expansion to 43 MW
- Full half of billing for Stage 3 of our Fortune 100 customer
- Significant demand from hyperscale customers

Business Highlights Summary.
A Differentiated Offering
Customer focus.

- Our continued focus on providing a great customer experience is core to our service offering & differentiation

- Macquarie’s net promoter score (NPS) is +71 for Q2 FY20 – Australian leading NPS

- NPS is the measure of customer experience that is assessed on a scale of -100 to +100, where a score of greater than +50 is excellent

- NPS is calculated on the single question “how likely is it that you would recommend our company to a friend or colleague?”

- Growth in our NPS is good for our investors
Quality Infrastructure.
Data Centre Portfolio expansion.

- Construction commenced in January 2020
- Initial build capex $82-$85M (excluding additional power) comprising of:
  - MEP and fit out $45M
  - Initial Capacity 2.4MW
- Modular fit out based on customer demand in years ahead
- IC3 East building area 13,400 sqm
- Keppel contribution to core and shell build cost $26-$36M
Macquarie Park Campus expansion from 10MW to 43MW total load.

- Modularised build for core and shell phases
- Carrier Neutral
- Designed for global hyperscalers, enterprise and Government customers

**Total Campus Load 43MW**
- Intellicentre 2 (IC2) 10MW existing
- Intellicentre 3 (IC3) East/West 33MW
Our private cloud is a key source of data centre utilisation and generates higher revenue per rack.
Financials.
### Financial Results.

<table>
<thead>
<tr>
<th></th>
<th>1H19</th>
<th>2H19</th>
<th>1H20 pre AASB16</th>
<th>1H20 v 1H19 pre AASB16</th>
<th>% change pre AASB16</th>
<th>1H20 post AASB16</th>
<th>Impact of AASB16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td>70.4</td>
<td>70.4</td>
<td>71.8</td>
<td>1.4</td>
<td>2%</td>
<td>71.8</td>
<td>0.0</td>
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<tr>
<td>Hosting</td>
<td>53.0</td>
<td>57.6</td>
<td>62.7</td>
<td>9.7</td>
<td>18%</td>
<td>62.7</td>
<td>0.0</td>
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<tr>
<td>Inter-segment</td>
<td>(2.4)</td>
<td>(2.4)</td>
<td>(2.6)</td>
<td>(0.2)</td>
<td></td>
<td>(2.6)</td>
<td>0.0</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>121.0</td>
<td>125.6</td>
<td>131.9</td>
<td>10.9</td>
<td>9%</td>
<td>131.9</td>
<td>0.0</td>
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<tr>
<td><strong>EBITDA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td>10.1</td>
<td>9.8</td>
<td>9.1</td>
<td>(1.1)</td>
<td>(10%)</td>
<td>9.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Hosting</td>
<td>15.3</td>
<td>16.9</td>
<td>18.6</td>
<td>3.3</td>
<td>21%</td>
<td>21.7</td>
<td>3.1</td>
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<tr>
<td><strong>Total EBITDA</strong></td>
<td>25.5</td>
<td>26.7</td>
<td>27.6</td>
<td>2.1</td>
<td>8%</td>
<td>31.6</td>
<td>4.0</td>
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<tr>
<td>Depreciation &amp; Amortisation</td>
<td>(13.6)</td>
<td>(15.0)</td>
<td>(16.5)</td>
<td>(2.9)</td>
<td></td>
<td>(20.0)</td>
<td>(3.5)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>11.9</td>
<td>11.7</td>
<td>11.1</td>
<td>(0.8)</td>
<td>(6%)</td>
<td>11.6</td>
<td>0.5</td>
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<tr>
<td>Interest</td>
<td>0.2</td>
<td>(0.3)</td>
<td>(0.4)</td>
<td>(0.6)</td>
<td></td>
<td>(2.2)</td>
<td>(1.8)</td>
</tr>
<tr>
<td><strong>NPBT</strong></td>
<td>12.1</td>
<td>11.4</td>
<td>10.7</td>
<td>(1.3)</td>
<td>(11%)</td>
<td>9.4</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Tax</td>
<td>(3.8)</td>
<td>(3.0)</td>
<td>(3.1)</td>
<td>0.7</td>
<td></td>
<td>(2.7)</td>
<td>0.4</td>
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<tr>
<td><strong>NPAT</strong></td>
<td>8.3</td>
<td>8.3</td>
<td>7.6</td>
<td>(0.6)</td>
<td>(7%)</td>
<td>6.7</td>
<td>(0.9)</td>
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</tbody>
</table>

- Inter-segment revenue relates to services provided by the Hosting segment to the Telecom segment, eliminated on consolidation.
- EBITDA post AASB16 has increased by $4.0m as rent is excluded under AASB16. Instead lease obligations are recognized on the balance sheet as right of use assets and lease liabilities. This results in $3.5m of depreciation of the right of use asset and $1.8m interest from the lease liability.
Group Financial Performance.

- Over the last 3 years:
  - Revenue CAGR of 7.2%
  - EBITDA CAGR of 18.5% (excluding AASB16 13.3%)
  - EBITDA margin improved from 17.7% (1H17) to 24.0% (1H20) (excluding AASB16 20.9%)
- Impact of AASB16 increases EBITDA by $4.0m (as per graph)
Financial Performance – Hosting

- Over the last 3 years:
  - Revenue CAGR of 18.3%
  - EBITDA CAGR of 30.8% (excluding AASB16 24.0%)
  - EBITDA margin improved from 25.6% (1H17) to 34.6% (1H20) (excluding AASB16 29.5%)
- Highly leveraged business with improving margins as infrastructure utilisation increases
- Strong Government cyber security growth and Cloud growth
- Impact of AASB16 increases EBITDA by $3.2m (as per graph)
Financial Performance - Telecom

- Over the last 3 years:
  - Revenue CAGR of 0.2%
  - EBITDA CAGR of 2.1% (excluding AASB16 (0.7)%)
- Telecom EBITDA margin of 13.8% (excluding AASB16 12.7%)
- Significant investment in staff to facilitate migration to the nbn
- Impact of AASB16 increases EBITDA by $0.8m (as per graph)
Growth Capex.

- **Growth Capex** is for the building of new data centre capacity, increased power supply, new technology creation & transformational investment.
- In the Hosting business, a current example is the Secure Internet Gateway services for the ATO.
- In the Telecom business, a current example is investment in SDWAN and nbn migrations.
- IC3 spend not included in growth capex.
- **Growth Capex** was $5.5m in 1H FY20.

Customer Growth Capex.

- **Customer Growth Capex** is for additional cabling, racks, servers & storage that enable us to provision new customer orders.
- **Customer Growth Capex** was $11.6m in 1H FY20 reflective of our data centre sales success & product mix.

Maintenance Capex.

- Most of the remaining Capex is infrastructure refresh and internal software development known as **Maintenance Capex**.
- **Maintenance Capex** was $6.0m for 1H FY20.
Balance Sheet & Cash Flows.

- Cash and cash equivalents of $6.9m. First draw down of $7m in Oct19 with remaining undrawn debt facility of $93m with a syndicate of banks executed to fund the build of IC3 data centre.

- 1H FY20 capital spend of $23.1m ex IC3
  - Growth Capex $5.5m
  - Customer Growth Capex $11.6m
  - Maintenance Capex $6.0m

- IC3 development expenditure will be maintained as WIP in the balance sheet until practical completion where it will form part of the development agreement with Keppel.

- Key impact of AASB16 has been to:
  - recognise $77.5m of Right-of-use assets (non-current) offset by $78.7m of lease liabilities on the balance sheet at 1 July 2019
  - $3.9m of interest and lease payments in financing activities in the cash flow (with nil cash impact)

<table>
<thead>
<tr>
<th>$m</th>
<th>FY19</th>
<th>1H20 pre AASB16</th>
<th>1H20 post AASB16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>17.1</td>
<td>6.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Other current assets</td>
<td>29.5</td>
<td>35.1</td>
<td>34.6</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>114.7</td>
<td>130.1</td>
<td>204.4</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>161.3</strong></td>
<td><strong>172.1</strong></td>
<td><strong>245.9</strong></td>
</tr>
<tr>
<td>Creditors</td>
<td>34.1</td>
<td>29.1</td>
<td>29.1</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>20.4</td>
<td>28.2</td>
<td>102.9</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>54.5</strong></td>
<td><strong>57.3</strong></td>
<td><strong>132.0</strong></td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>106.8</strong></td>
<td><strong>114.8</strong></td>
<td><strong>113.9</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$m</th>
<th>1H19</th>
<th>1H20 post AASB16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from Operating Activities</td>
<td>14.3</td>
<td>13.9</td>
</tr>
<tr>
<td>Cash flows from Investing Activities</td>
<td>(25.0)</td>
<td>(26.8)</td>
</tr>
<tr>
<td>Cash flows from Financing Activities</td>
<td>(5.3)</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in Cash Held</strong></td>
<td>(16.0)</td>
<td>(10.2)</td>
</tr>
<tr>
<td>Opening Cash and cash equivalents</td>
<td>30.3</td>
<td>17.1</td>
</tr>
<tr>
<td><strong>Closing Cash and cash equivalents</strong></td>
<td><strong>14.3</strong></td>
<td><strong>6.9</strong></td>
</tr>
</tbody>
</table>
Outlook.

- Underpinned by strong sales growth, full year FY20 EBITDA is expected to be approximately $63 to $66 million ($55 to $58 million pre AASB16).
- Telecom continue to win customers from legacy data and IP carriers with our nbn and SD WAN solutions.
- Cloud Services continue to grow successfully leveraging the Hybrid IT megatrend.
- Continued demand from our Federal Government Agencies for cybersecurity and secure cloud, including from Tier 1 Agencies like ATO, gives great confidence for future growth in the Government Business.
- IC3 development expenditure expected to be in the range of $29 to $32 million for FY20.

<table>
<thead>
<tr>
<th>FY 20</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>63 - 66</td>
</tr>
<tr>
<td>EBITDA pre AASB16</td>
<td>55 - 58</td>
</tr>
<tr>
<td>Customer Growth Capex</td>
<td>31 - 32</td>
</tr>
<tr>
<td>Maintenance Capex</td>
<td>16 - 17</td>
</tr>
<tr>
<td>Growth Capex</td>
<td>14 - 15</td>
</tr>
<tr>
<td>Total CAPEX excluding IC3</td>
<td>61 - 64</td>
</tr>
<tr>
<td>Depreciation pre AASB16</td>
<td>31 - 33</td>
</tr>
<tr>
<td>IC3 Development Expenditure WIP</td>
<td>29 - 32</td>
</tr>
</tbody>
</table>
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