macquarie TELECOM

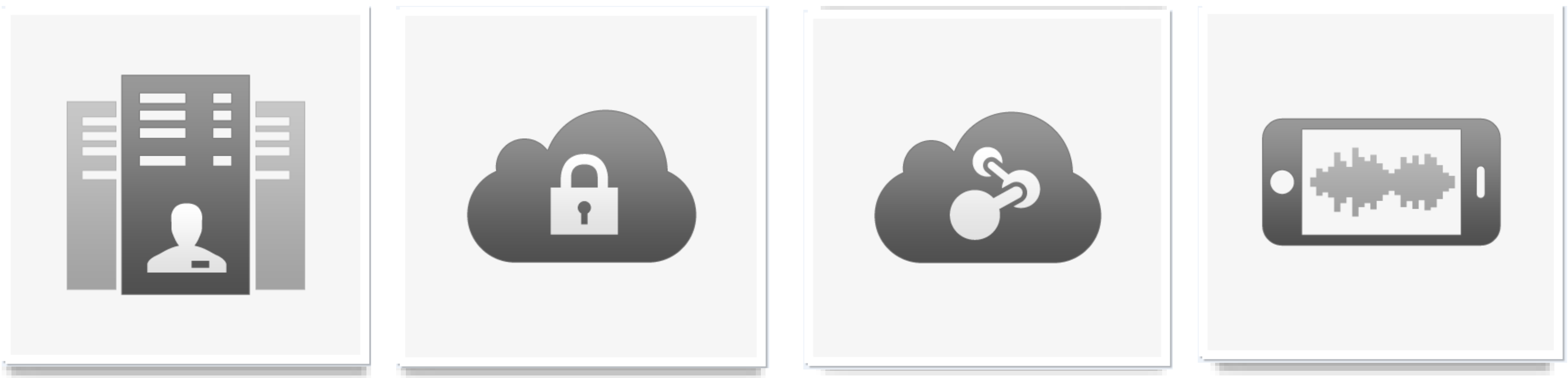
Half Year Results 2012

David Tudehope & Michael Simmonds

23 February 2012

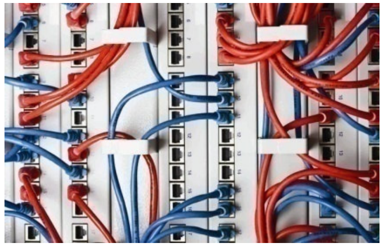
Strategic objective

To be Australia's number one Managed Hosting and integrated Telco 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, Voice, Mobile and Data services specifically to the business and government market



Hosting Division

Our Hosting division provides secure, scalable, high-availability, co-location, fully managed hosting, private and public cloud services for our customers' mission critical applications

Telco Division

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

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

Mobiles – we provide tailored mobile solutions 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

Market leaders in high-growth industry

Leadership Position

- The recognised leader in delivering managed hosting of mission critical applications for business and government customers in Australia
- The industry leader in Customer Service judged as the Best Telco in the World for Customer Care at the World Communication Awards

Huge and Growing Market Opportunity

- Trend of selective outsourcing is accelerating due to higher speed internet connectivity driving new web technology and the associated demand for managed hosting
- Emergence of Cloud Computing, which is a natural extension of managed hosting, will increase this trend and provide new market opportunities
- NBN will create a new playing field that presents opportunity for both the Hosting and Telco businesses

Sustainable Competitive Advantage

- Our world class customer service is a clear differentiator and even more relevant in a NBN world
- Leadership in managed hosting achieved through operational and service excellence with highly certified people, processes and infrastructure

Strong Financial Profile

- Robust Balance Sheet with $30 million undrawn working capital facility in place

Agenda

1. Group highlights
2. Financial performance
3. Operational and division review
4. Strategy
5. Outlook
6. Q&A

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Group Highlights

Key Financial Highlights

- EBITDA profit of $21.1 million up 4% on pcp
- EBIT profit of $13.2 million up 8.3% on pcp
- NPAT $11.1 million up 13.8% on pcp
- EPS of $0.53 up 13.6% on pcp
- Fully franked interim dividend of 12.0 cps
- Cash and cash equivalents of $47.7 million with additional $30 million undrawn working capital facility in place

Key Operational Highlights

- $60 million investment to expand Hosting capacity progressing well
- Managed private and public clouds offerings gaining traction
- MacquarieHUB continues to improve customer service

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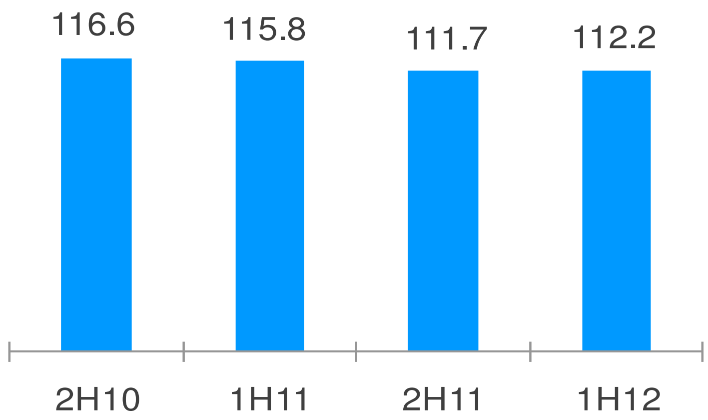
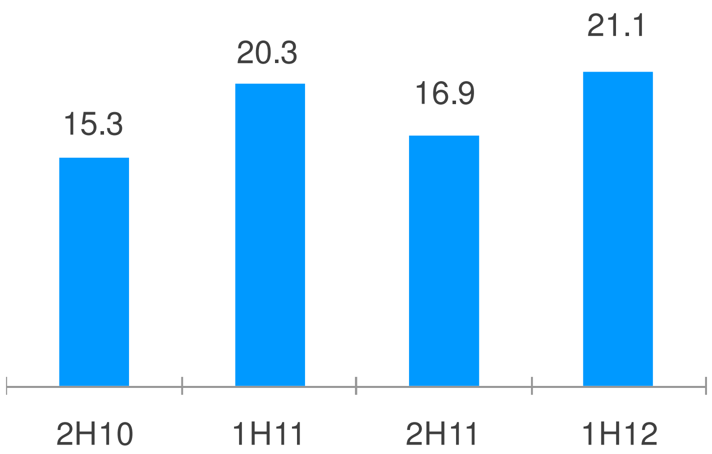
Earnings continue to improve

$m	1H11	1H12	Change
Revenue	115.8	112.2	(3.1%)
EBITDA	20.3	21.1	4.0%
EBIT	12.2	13.2	8.3%
NPAT	9.7	11.1	13.8%
EPS (cps)	46.5	52.8	13.6%

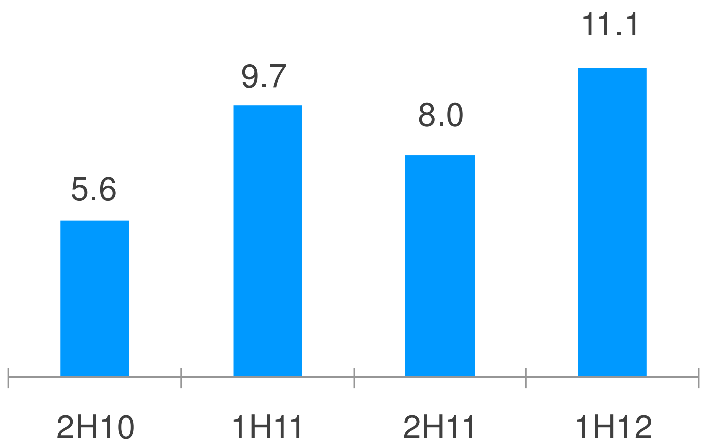
Revenue



EBITDA $m



NPAT $m



Strong operating cash flows

$m	1H11	1H12
Cash flows from Operating Activities	17.6	13.1
Cash flows from Investing Activities	(19.8)	(16.3)
Cash flows from Financing Activities	(8.6)	(2.5)
Net Increase/(Decrease) in Cash Held	(10.9)	(5.7)
Opening Cash & Cash Equivalents	56.3	53.5
Closing Cash & Cash Equivalents	45.4	47.7

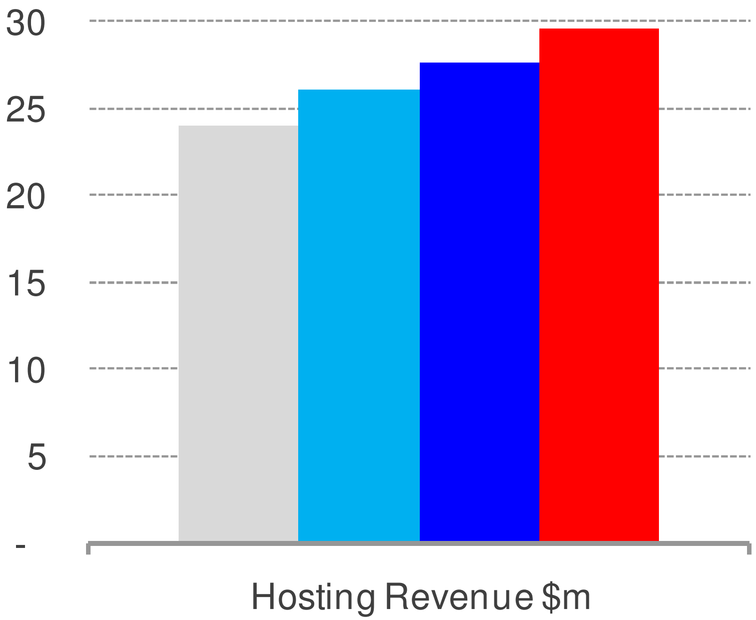
- Strong operating cash flows continue
- Investment in IC2 continues
- Dividend payment continues with announcement of a fully franked interim dividend of 12.0 cps

Balance sheet

$m	1H11	1H12
Cash and cash equivalents	45.4	47.7
Gross Trade Debtors & WIP	16.9	15.4
Other Assets	48.1	58.6
Total Assets	110.4	121.7
Creditors	32.5	29.2
Short and Long Term Debt	0.0	0.0
Other Liabilities	7.3	7.4
Total Liabilities	39.7	36.6
Total Equity	70.7	85.2

- Healthy balance sheet with cash and cash equivalents of $47.7 million.
- Strict working capital management
- $30 million undrawn working capital facility to support strategic growth opportunities

Revenue growth in Hosting continues

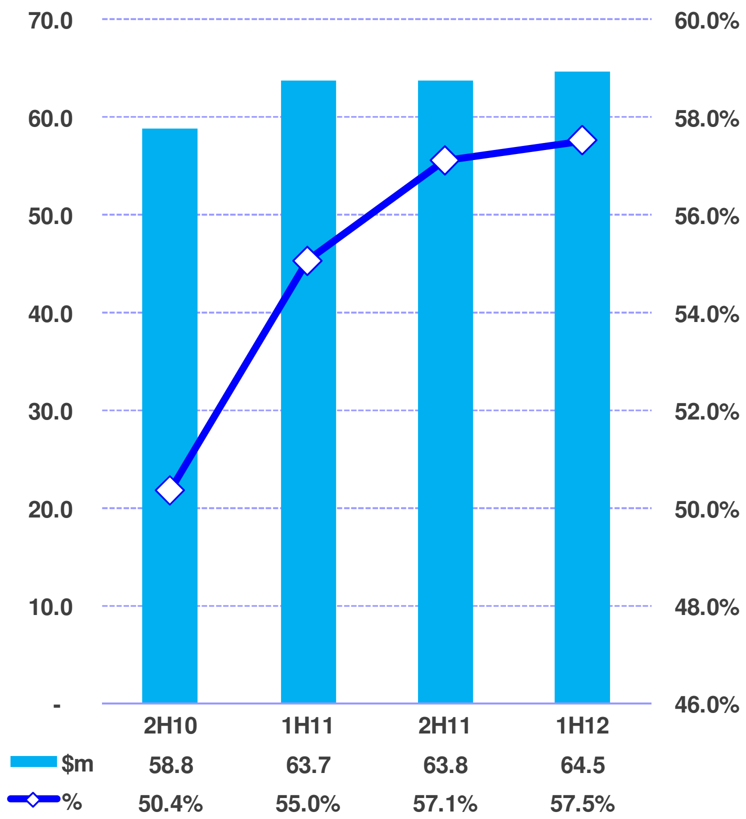


- Hosting revenue up 13.4% on pcp to $29.6 million resulting from continued strong sales orders in 1H12
- Telco revenue down 8.0% on pcp primarily due to reduction in:
  - (i) Voice as further price competition and fixed to mobile and data substitution continues; and
  - (ii) Mobiles due to impact of Vodafone network issues in fiscal 2011
- Total revenue down 3.1% on pcp

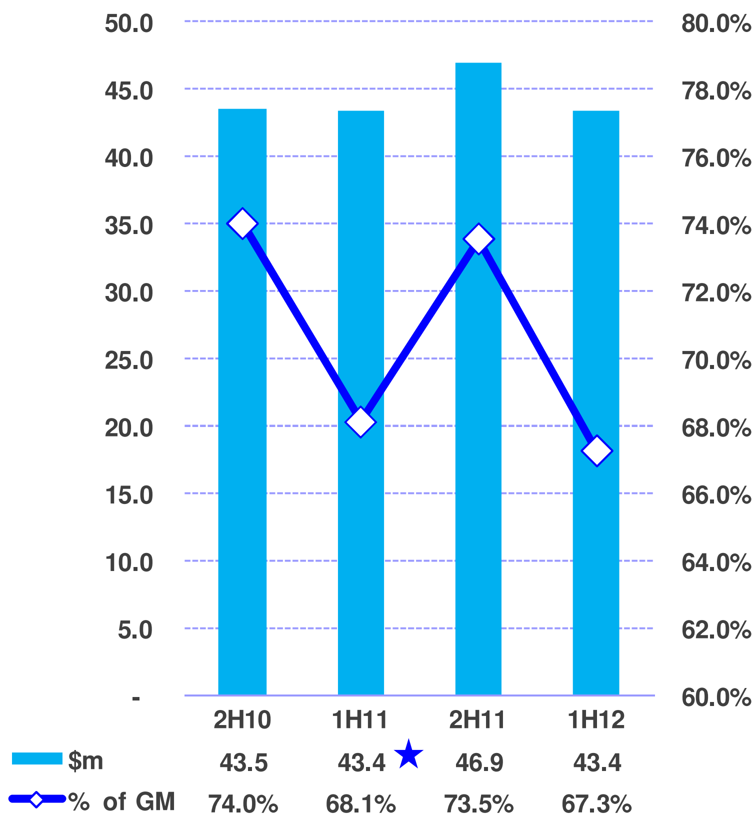
Revenue $m	Data	Voice	Mobiles	Telco	Hosting	Total
2H10	28.5	49.5	14.7	92.7	24.0	116.6
1H11	29.3	45.4	15.0	89.7	26.1	115.8
2H11	29.9	40.9	13.3	84.1	27.6	111.7
1H12	31.3	39.7	11.5	82.5	29.6	112.2
1H12 v 1H11	2.0	(5.7)	(3.4)	(7.1)	3.5	(3.6)
% change	6.9%	-12.6%	-23.0%	-8.0%	13.4%	-3.1%

Gross margin grows
Opex stable

Gross margin grows in both $ and % terms

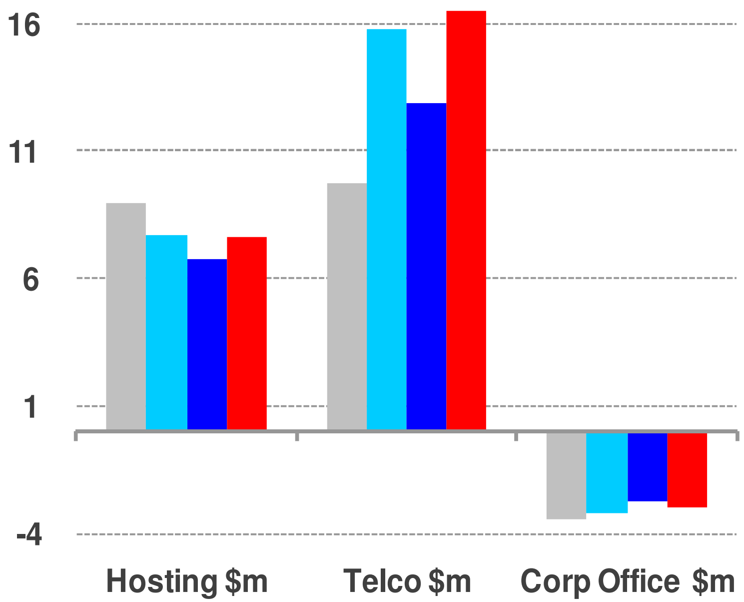


Opex as a % of gross margin declines



★ includes a one-off benefit from the settlement of a prior year dispute of $1.5 million in 1H11

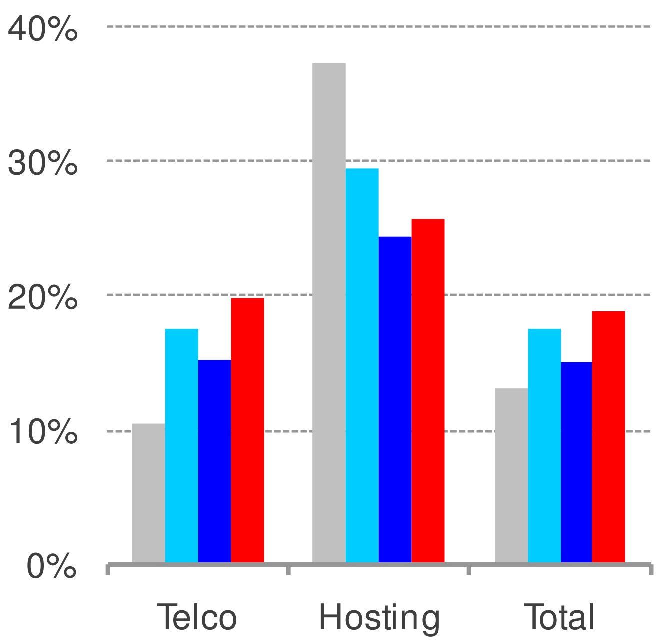
EBITDA grows



- EBITDA profit of $21.1 million up 4.0% on pcp. When excluding one-off benefit from the settlement of a prior year dispute of $1.5 million in 1H11 EBITDA profit is up 12%.
- Hosting EBITDA of $7.7 million impacted by significant operating investments in Intellicentre 2 and Cloud Computing.
- Telco EBITDA up 4.5% on pcp to $16.5 million.

EBITDA $m	Data	Voice	Mobiles	Telco	Hosting	Corp Office	Total
2H10	1.1	7.4	1.2	9.7	9.0	(3.4)	15.3
1H11	4.1	9.9	1.9	15.8	7.7	(3.2)	20.3
2H11	4.8	6.4	1.7	12.9	6.8	(2.7)	16.9
1H12	5.4	9.2	1.8	16.5	7.7	(3.0)	21.1
1H12 v 1H11	1.4	(0.6)	(0.0)	0.7	(0.1)	0.2	0.8
% change	33.6%	-6.5%	-1.2%	4.5%	-0.9%	5.3%	4.0%

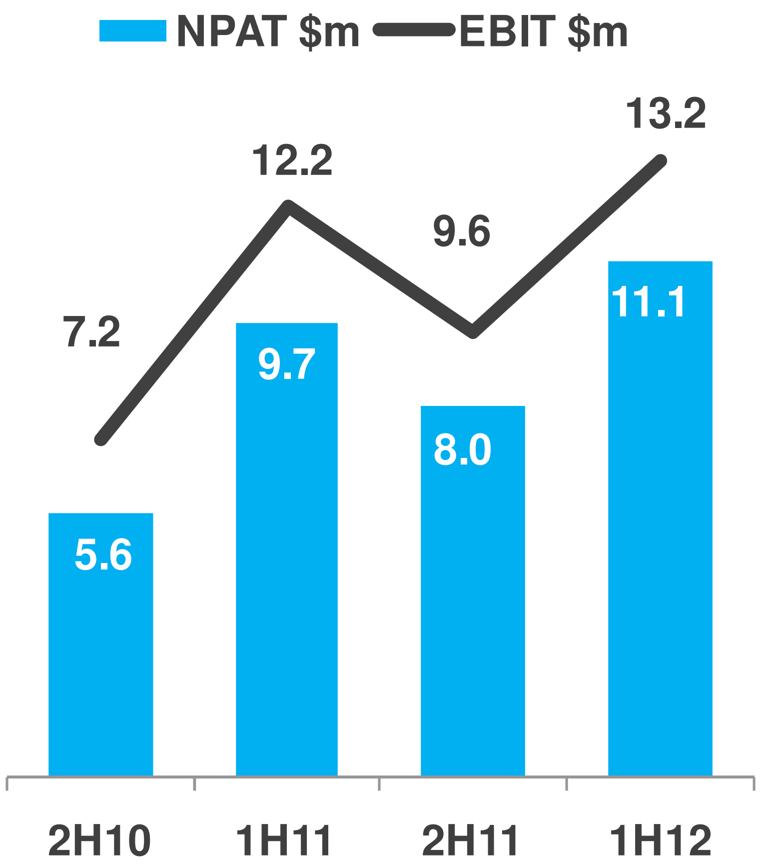
EBITDA % Margin on the Rise



		Telco	Hosting	Total
2H10		11%	37%	13%
1H11		18%	30%	18%
2H11		15%	24%	15%
1H12		20%	26%	19%

- Total EBITDA % margin improving
- Telco business supports this growth with continued margin improvement
- Hosting business % margin impacted by investment in Intellicentre 2 and Cloud Computing
- 1H11 EBITDA % margin includes a Telco one-off benefit from the settlement of a prior year dispute of $1.5 million

EBIT & NPAT grow



- Record half year NPAT result 13.8% on pcp
- Profitable growth delivered during a period of significant investment in IC2 and Cloud Computing

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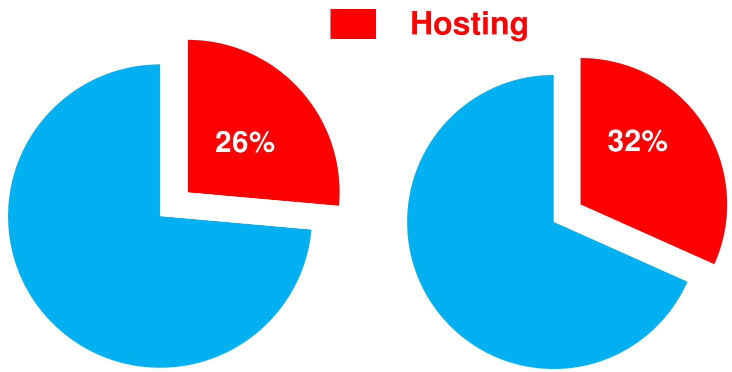
Hosting review

Summary

- Revenue on a consistent growth path increasing by 13.4% half on half
- Managed private and public clouds offerings gaining traction
- Further investment in automation to increase operational maturity
- Significant investment in Federal government service staff, security products and accredited data centre facilities following admission into the restricted AGIMO data centre panel

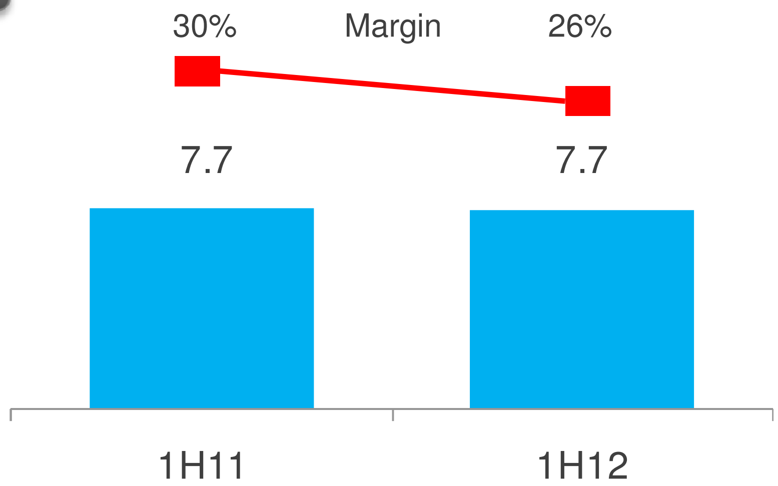
Revenue % | EBITDA %



Key drivers and industry outlook

- Trend of selective outsourcing is accelerating due to higher speed internet connectivity driving new web technology and the associated demand for managed hosting and data centres
- Emergence of cloud computing, which is a natural extension of managed hosting, will increase this trend and provide new market opportunities
- Cloud services offer customers four key attributes (1) faster time-to-market, (2) highly elastic capacity, (3) a pay-per-use model, and (4) the ability to treat infrastructure costs are as variable operating expense, not a capital expense

Hosting EBITDA ($m)



Full Range of Hosting Services

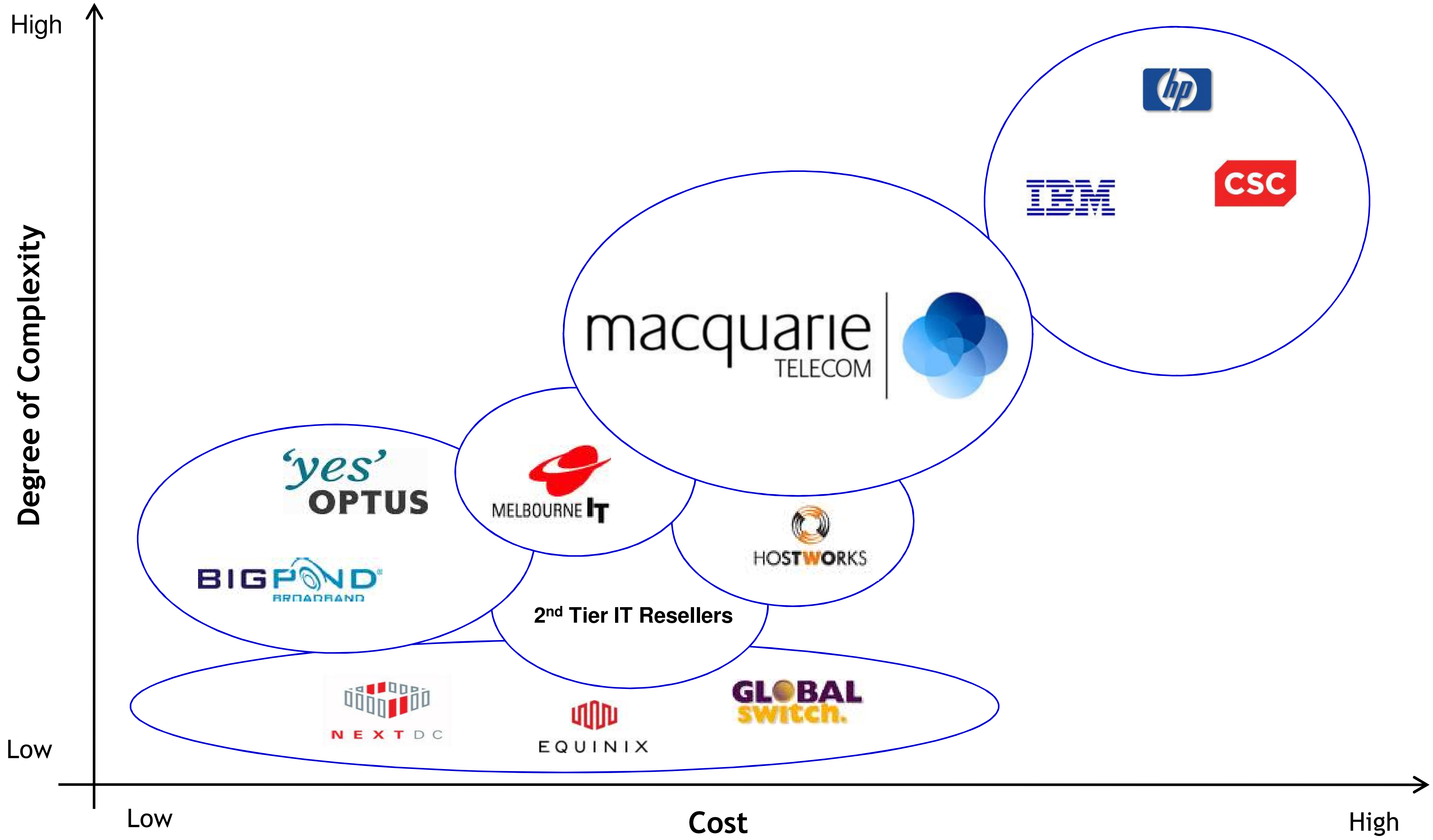
macquarie TELECOM

From co-location to Infrastructure as a Service Cloud offerings

KEY:
- Customer responsibility
- Macquarie responsibility

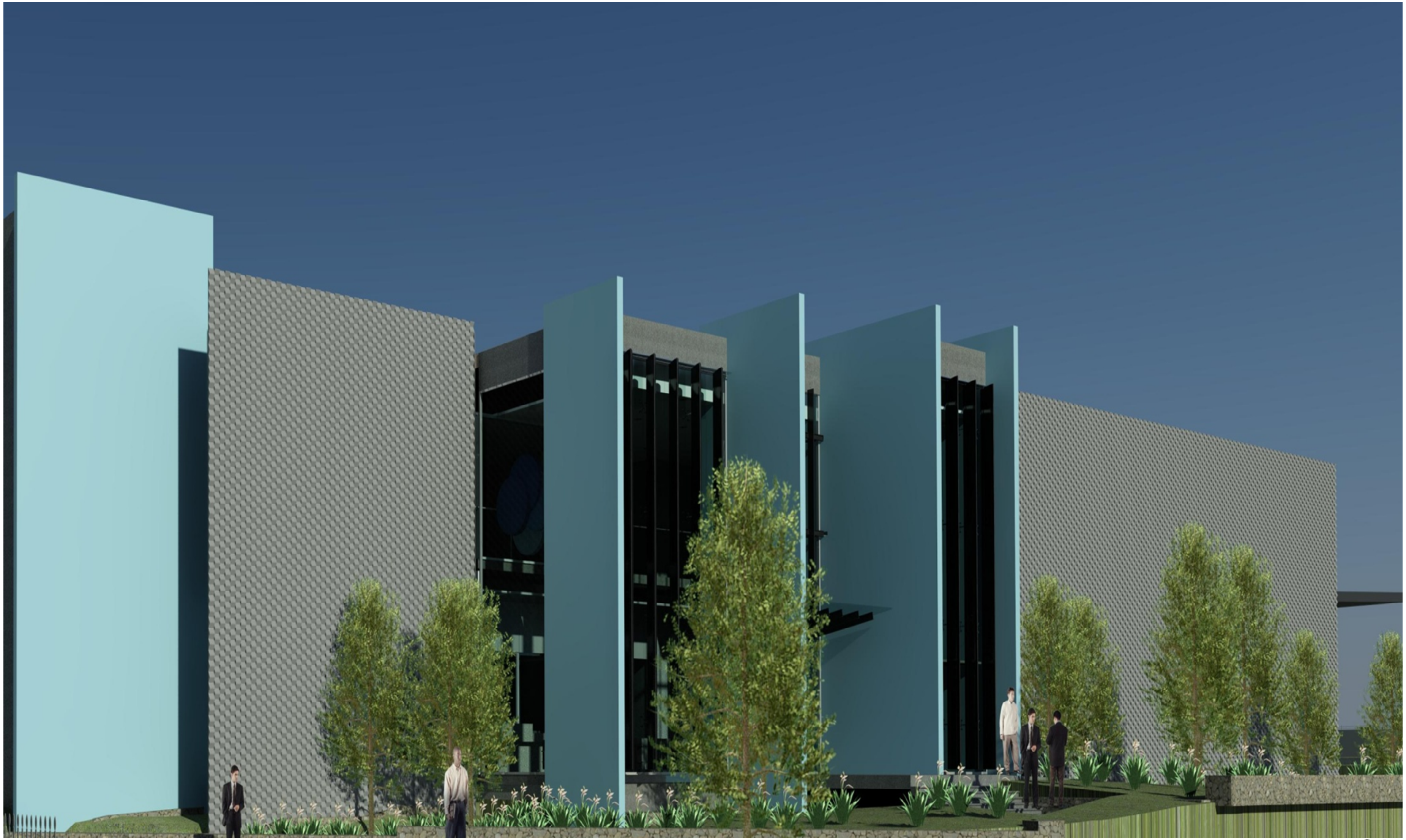
IN-HOUSE	COLO	DEDICATED	IAAS CLOUD
Application Middleware Database	Application Middleware Database	Application Middleware Database	Application Middleware Database
Hardware Operating System Firewall	Hardware Operating System Firewall	Hardware, Operating System, Firewall	IAAS Virtual, flexible and dynamically scalable storage, processing and network capacity billed and bought by consumption
Network, Facility Space, Power & Cooling	Network, Facility Space, Power & Cooling	Network, Facility Space, Power & Cooling	

Selective Outsourcing
Market Landscape....Our View



Intellicentre 2

Macquarie Park, Sydney



Intellicentre 2

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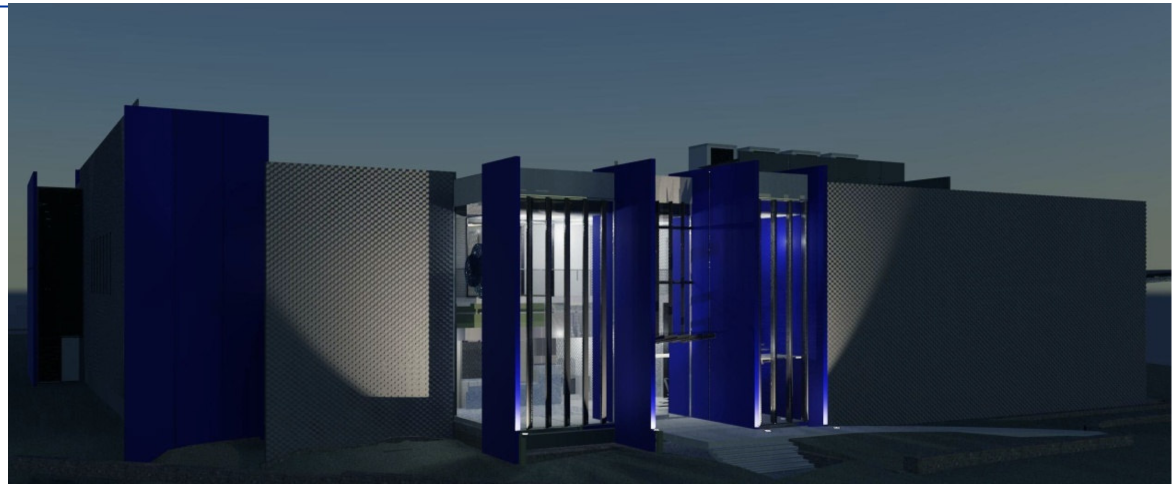
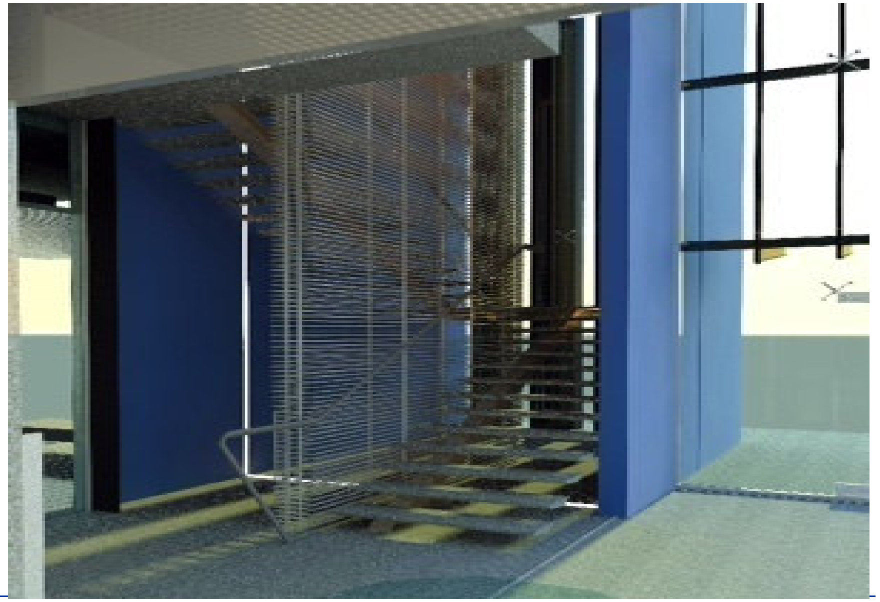




Intellicentre 2

DRUPS Installation

Intellicentre 2

Tier 3 certification – First in South East Asia

Intellicentre 2

Macquarie Park, Sydney

- News Limited signed as anchor tenant in multi-million dollar deal
- Uptime Institute confirm Tier 3 certification – first in South East Asia
- Ready for business late second half 2012

- Phase 1 – Under construction
  - High voltage power – 8MW (secured)
  - 2 floors with a technical area of 4,000 sqm
  - 20,000 sqm site allows for future growth
  - Implementation of gas–fired tri-generation technology significantly reducing power costs
  - Full N+1 redundancy on all elements
  - World leading PUE of 1.3

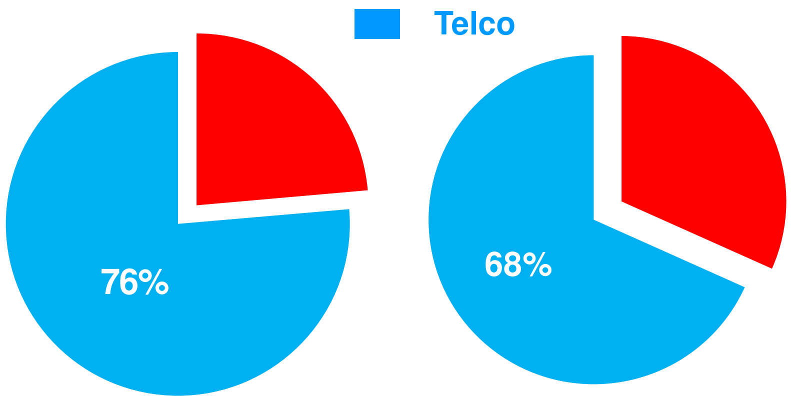
Telco (Data, Voice & Mobiles) review

Summary

- Telco revenue down 8.0% primarily due to reduction in Voice as price competition and fixed to mobile and data substitution continues
- Strict cost control and investment in automation improve margins and EBITDA
- Local and international data grow
- Continuing redeployment of existing resources from Telco to support growth of Hosting business

Revenue %

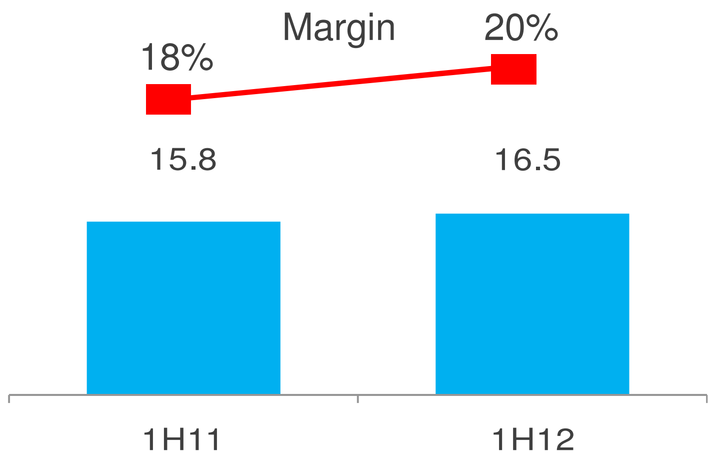
EBITDA %



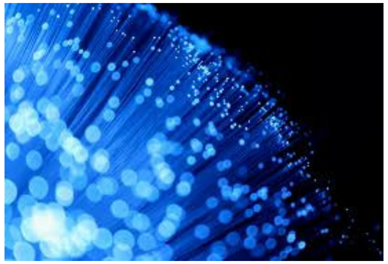
Key drivers and industry outlook

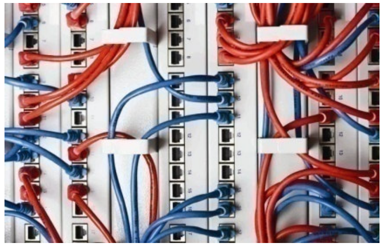
- Continued investment in automation, systems & processes to improve efficiency & costs to serve
- Continued management tool development and focus on driving utilisation in installed base
- MacquarieHUB improves customer service and will lead to increased customer loyalty and retention
- Voice and Data continue to converge

Telco EBITDA ($m)



National Broadband Network





- Macquarie Telecom, like other Telco providers, will be a wholesale customer of the new NBN, acquiring network services which in turn will enable Macquarie to provide services to our retail customers
- NBN offers businesses increased productivity, greater speed to market and enhanced customer service. Macquarie Telecom is best placed to help transition businesses to the new online era, differentiated by our world class customer service
- “NBN will be a competition leveller for Telco's and the key differentiator for providers will be around customer service” (Geoff Johnson, Gartner, Symposium 2009)
- Superfast broadband will encourage the development of new web technology increasing internet usage and driving growth in demand for managed hosting and data centres

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Key Strategic Initiatives FY2012

1. Complete IC2 Build
2. Continued investment in Cloud services
3. Increasing operational maturity through automation
4. Maintaining high customer service standards through our Personal Accountable Service model
5. Signed contract with NBN

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Outlook
Investing for future growth

- EBITDA profit for the full year is trending towards the upper end of previously issued guidance of between $36 and $38 million.
- The expected EBITDA result in fiscal 2012 includes the impact of establishment costs of approximately $6.0 million associated with Intellicentre 2 and Cloud Computing.
- Result compares to the previous year's adjusted EBITDA result of $35.7 million, calculated after removing the impact of a one-off prior year dispute settlement benefit of $1.5 million.
- Phase one of the Intellicentre 2 development will see a further $47.4 million invested into building construction, mechanical and electrical needs. Approximately $40 million of this investment is expected to be made in FY2012.
- Business as usual capital expenditure for fiscal 2012 is expected to be approximately $16 to $18 million.

Questions

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