

# Half Year Results.

2017.

27 February 2017

# CEO Presentation.

# Our Brands.



For business, we are the full service provider of data, voice, mobile and colocation services.

We are the telecom that does everything refreshingly different.

We are where the Macquarie story started.



For business customers we are the specialists in hybrid IT.

We integrate data centre, cloud, and dedicated servers.

Different applications need different types of hosting.

We manage it.



We are the Australian specialists in cyber security, secure cloud and data centres for Federal Government.

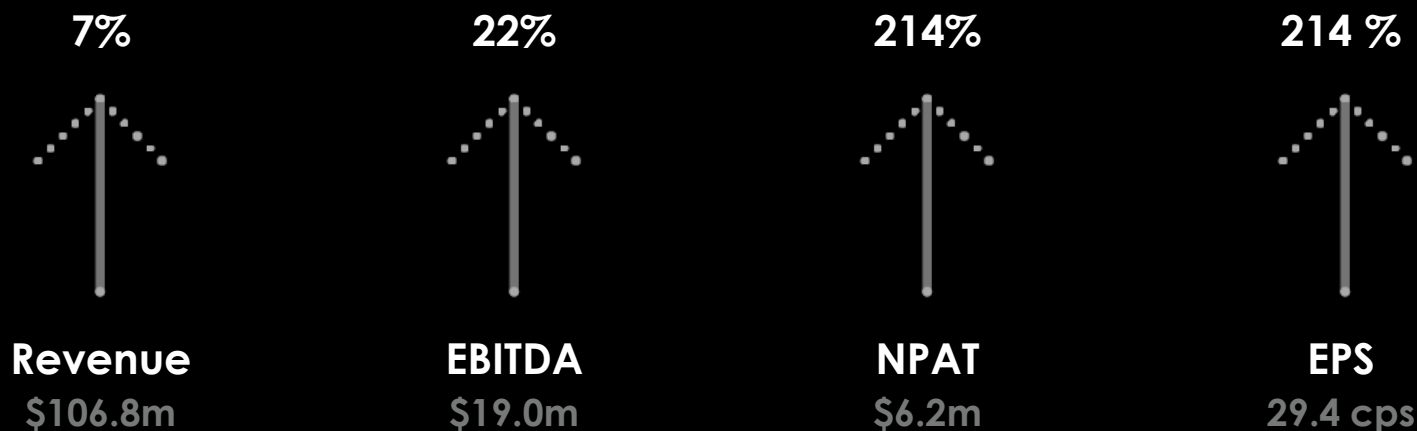
We deliver services to 42% of Federal Government agencies.

Macquarie Telecom Group comprises of Macquarie Telecom, Macquarie Cloud Services and Macquarie Government. The Hosting segment comprises Macquarie Cloud Services and Macquarie Government.

# 4 Our Differentiation.

|                   | Macquarie Telecom                                                                                                                                                                                                                                                                                                                         | Macquarie Cloud Services                                                                                                                                                                                                                                                                                                                         | Macquarie Government                                                                                                                                                                                                                                         |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Value proposition | Customer Service<br>Price, Choice<br>Flexibility, Control                                                                                                                                                                                                                                                                                 | Customer Service<br>Specialised and<br>Compliant Hosting<br>For apps not suitable for<br>Public Cloud                                                                                                                                                                                                                                            | Customer Service<br>SIG Accreditation<br>Cyber Security<br>ASD – Certified Cloud<br>Data Centre in Canberra                                                                                                                                                  |
| Competitors       |     |     |    |
| People / Skill    | Generalist for Voice & Mobiles<br>TC for Data & CoLo<br>Know Business Drivers                                                                                                                                                                                                                                                             | Hosting Specialists<br>- Complex<br>- Compliant                                                                                                                                                                                                                                                                                                  | Secure Hosting Specialist<br>Know Government Drivers                                                                                                                                                                                                         |

## 5 Key Business Highlights.



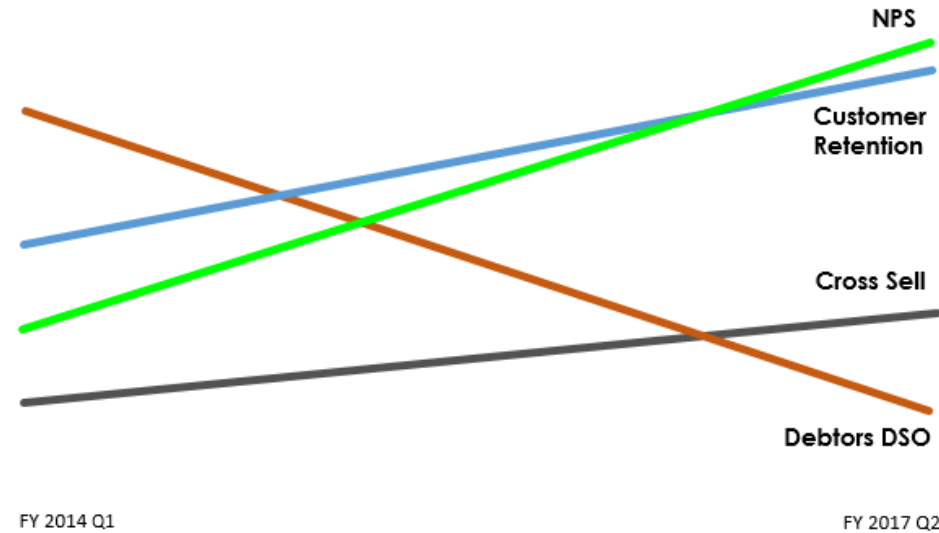
- Continued revenue improvement across the business, particularly driven by strong customer demand and our clear focus on providing a superior customer experience.
- Improvements in asset utilisation have contributed to the growth in profitability.
- During the half, as announced at the AGM, the company has invested in the expansion of capacity at Intellicentres 2 and 4, data networking technology and network operations centre insourcing, with each project progressing to plan.
- A fully franked interim dividend of 25cps has been declared, continuing our commitment to ongoing shareholder returns.

## 6 Our Customer Focus

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

Our industry leading Net Promoter Score was +66 for Q2 FY17.

... is delivering improved performance.



# Finance Presentation.

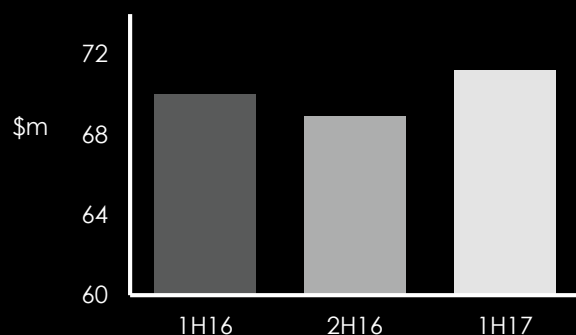
# Financial Results.

| \$m                          | 1H16         | 2H16         | 1H17         | 1H17 v 1H16 | % change   |
|------------------------------|--------------|--------------|--------------|-------------|------------|
| Service Revenue              |              |              |              |             |            |
| Telecom                      | 70.0         | 68.9         | 71.2         | 1.2         | 2%         |
| Hosting                      | 32.5         | 35.9         | 37.8         | 5.3         | 16%        |
| Inter-segment                | (2.4)        | (2.3)        | (2.2)        | 0.2         |            |
| <b>Total Service Revenue</b> | <b>100.1</b> | <b>102.5</b> | <b>106.8</b> | <b>6.7</b>  | <b>7%</b>  |
| EBITDA                       |              |              |              |             |            |
| Telecom                      | 9.3          | 9.0          | 9.3          | -           | -          |
| Hosting                      | 6.3          | 7.7          | 9.7          | 3.4         | 54%        |
| <b>Total EBITDA</b>          | <b>15.6</b>  | <b>16.7</b>  | <b>19.0</b>  | <b>3.4</b>  | <b>22%</b> |
| Depreciation                 | (12.9)       | (12.5)       | (10.8)       | 2.1         |            |
| <b>EBIT</b>                  | <b>2.7</b>   | <b>4.2</b>   | <b>8.2</b>   | <b>5.5</b>  |            |
| Interest                     | 0.2          | 0.3          | 0.3          | 0.1         |            |
| <b>NPBT</b>                  | <b>2.9</b>   | <b>4.5</b>   | <b>8.5</b>   | <b>5.6</b>  |            |
| Tax                          | (0.9)        | (1.2)        | (2.3)        | (1.4)       |            |
| <b>NPAT</b>                  | <b>2.0</b>   | <b>3.3</b>   | <b>6.2</b>   | <b>4.2</b>  |            |

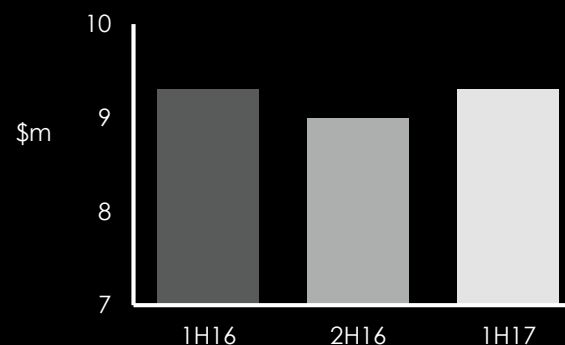
Inter-segment revenue relates to services provided by the Hosting segment to the Telecom segment, eliminated on consolidation.

## 9 Telecom.

### Revenue



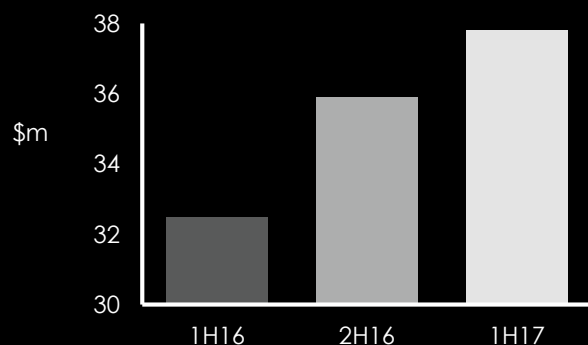
### EBITDA



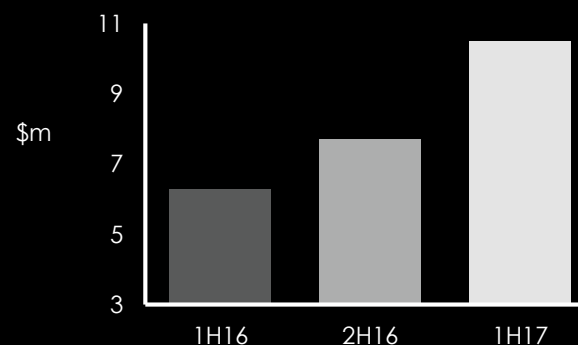
- Revenue has grown by 2% to \$71.2 million in 1H17 from \$70.0 million in 1H16.
- EBITDA has been maintained at 13% of revenue over the past three halves.
- In a highly competitive market, continued new customer acquisition and cross sell, resulting from a clear focus on delivering a superior customer experience, has been key to maintaining YoY revenue.

# Hosting.

## Revenue



## EBITDA



- Continued growth in revenue and EBITDA for Cloud Services and Government over the past three halves.
- Revenue has grown by 16% to \$37.8 million in 1H17 from \$32.5 million in 1H16.
- The continued improvement in data centre asset utilisation has contributed to the growth in EBITDA to 26% in 1H17 from 19% in 1H16.
- Strong sales of data centre capacity reflects the success of our hybrid IT solutions that allow our customers to buy the right combination of colocation, cloud and security services to suit their needs.
- Intellicentre 4 capacity expansion has been completed.

# Balance Sheet and Cash Flows.

- Cash of \$24.7m and no debt.
- Business as usual capex increased to \$12.5m from \$7.5m in the pcpr, driven by strong customer demand.
- Growth capex was \$11.0m to expand capacity at Intellicentres 2 and 4 (\$7.3m) and data networking technology and network operations centre insourcing (\$3.7m).
- Investing activities during the half also included the receipt of the second tranche of Intellicentre 2 proceeds (\$3.0m).
- Final dividend for FY16 of 25cps (\$5.2m) was paid during the half.

| \$m                       | FY16         | 1H17         |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | 36.5         | 24.7         |
| Other current assets      | 19.8         | 21.3         |
| Other non-current assets  | 63.5         | 76.0         |
| <b>Total Assets</b>       | <b>119.8</b> | <b>122.0</b> |
| Creditors                 | 27.1         | 26.1         |
| Other Liabilities         | 10.3         | 12.4         |
| <b>Total Liabilities</b>  | <b>37.4</b>  | <b>38.5</b>  |
| <b>Total Equity</b>       | <b>82.4</b>  | <b>83.5</b>  |

| \$m                                         | 1H16        | 1H17          |
|---------------------------------------------|-------------|---------------|
| Cash flows from Operating Activities        | 12.3        | 13.9          |
| Cash flows from Investing Activities        | 32.8        | (20.5)        |
| Cash flows from Financing Activities        | (26.2)      | (5.2)         |
| <b>Net increase/(decrease) in Cash Held</b> | <b>18.9</b> | <b>(11.8)</b> |
| Opening Cash and cash equivalents           | 6.4         | 36.5          |
| <b>Closing Cash and cash equivalents</b>    | <b>25.3</b> | <b>24.7</b>   |

# Outlook.

- Underpinned by strong sales growth, full year FY17 EBITDA is expected to be approximately \$37 to \$39 million.
- We are confident that Hosting revenue will continue to grow in 2H FY17 however profitability will be impacted by additional staff costs in the sales team and increased electricity prices.
- Hosting's Fortune 100 customer will commence initial billing in Q3.
- Telecom's investment in new data networking technology and network operations centre insourcing will result in additional staff costs being incurred in 2H FY17. These investments will materially reduce costs and further improve service delivery in FY18.
- Affirm the guidance provided for full year capital expenditure and depreciation announced at the AGM.

| \$m                     | FY17 (\$m) |
|-------------------------|------------|
| EBITDA                  | 37 - 39    |
| Business as usual capex | 21 - 23    |
| Growth capex            |            |
| – Hosting               | 13 - 15    |
| – Telecom               | 6 - 7      |
| Depreciation            | 21 - 23    |

# Disclaimer.

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