

ASX Announcement

27 February 2017

Macquarie Telecom Group delivers continued profitable growth and provides full year guidance.

Macquarie Telecom Group (ASX: MAQ) (the Company) today announced that its results for the first half of the 2017 fiscal year were at the upper end of guidance and provides full year guidance.

Chairman Peter James said "we are pleased by this result which affirms our strategic and operational plan and our growth activities to build on continued customer demand."

Chief Executive David Tudehope said "our confidence that Hosting revenue will continue to grow strongly has been realised during the half and the continued improvement in data centre asset utilisation has driven further growth in profitability."

Key Points for 1H FY17

- Revenue of \$106.8 million, an increase of 7% on 1H FY16 (\$100.1 million).
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) of \$19.0 million, an increase of 22% on 1H FY16 (\$16.7 million).
- Net profit after tax of \$6.2 million, an increase of 214% on 1H FY16 (\$2.0 million).
- Telecom contributed revenue of \$71.2 million, an increase of \$1.2 million (2%), and EBITDA of \$9.3 million, in line with 1H FY16.
- Hosting contributed revenue of \$37.8 million, an increase of \$5.3 million (16%), and EBITDA of \$9.7 million, an increase of \$3.4 million (55%), compared to 1H FY16.
- Healthy balance sheet with cash and cash equivalents of \$24.7 million, no debt and cash flows from operating activities of \$13.9 million.
- Business as usual capex increased to \$12.5 million from \$7.5 million in 1H FY16, driven by strong customer demand.
- Growth capex was \$11.0 million to expand capacity at Intellicentres 2 and 4 (\$7.3 million) and data networking technology and network operations centre insourcing (\$3.7 million).
- Fully franked interim dividend of 25 cps declared, continuing our commitment to ongoing shareholder returns.

Outlook for FY17

- Underpinned by strong sales growth, EBITDA is expected to be approximately \$37 to \$39 million for the full year.
- 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 FY 17.
- 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 full year guidance announced at the AGM for capital expenditure and depreciation:
 - Driven by strong demand, business as usual capex is expected to be \$21 to \$23 million;
 - Growth capex for the expansion of Intellicentres 2 and 4, data networking technology and network operations centre insourcing will continue in 2H FY17 and is expected to be \$13 to \$15 million for Hosting and \$6 to \$7 million for Telecom; and
 - Depreciation is expected to be \$21 to \$23 million.

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For more information, please contact:

Investor Relations enquiries:

David Tudehope – Chief Executive
(02) 8221 7090

Media enquiries:

Matt Healy – National Executive, Industry & Policy
0402 259 140

Level 15, 2 Market Street, Sydney NSW 2000

About Macquarie Telecom Group

We're Australia's data centre, cloud, cyber security and telecom company for mid to large business and government customers. The way we do this is completely different from our competitors... we provide the best customer service in Australia.

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