

MACQUARIE TELECOM GROUP LIMITED

ANNUAL GENERAL MEETING

FRIDAY, 24 NOVEMBER 2017

CHAIRMAN'S ADDRESS

Ladies and Gentlemen, good morning. My name is Peter James, the Chairman of Macquarie Telecom Group Limited, and I would like to extend a warm welcome to shareholders at the Annual General Meeting for 2017.

INTRODUCTION OF BOARD

I would like to introduce you to the Board Members here with me this morning:

Anouk Darling – Anouk joined the Board in March 2012 and is a member of the Audit and Risk Management Committee and the Corporate Governance, Nomination and Remuneration Committee.

Bart Vogel – Bart joined the Board in July 2014 and is the Chairman of the Audit and Risk Management Committee and a member of the Corporate Governance, Nomination and Remuneration Committee.

David Tudehope – David is co-founder and Chief Executive of Macquarie Telecom Group.

Aidan Tudehope – Aidan is co-founder of Macquarie Telecom Group and is the Managing Director of the Macquarie Hosting Group.

We welcome our auditors **PriceWaterhouseCoopers** represented by **Jason Hayes and Brenton Newlands**.

We welcome our advisor **Jon North** who is assisting with the Bulletproof acquisition. I would also like to introduce **Brent Henley** our Chief Financial Officer and **Nathan Shepherd**, our Company Secretary.

BUSINESS OF MEETING

I will now take a moment to outline this morning's agenda. First you will hear an address from myself and then from David. We will give you a brief overview of the group's recent performance and overall business strategy. Then we will proceed to the ordinary business of the meeting.

ORDINARY BUSINESS

We will consider three items of ordinary business:

1. The receipt of the financial statements and accompanying reports;
2. The adoption of the remuneration report for the year ended 30 June 2017; and
3. The election of Anouk Darling as a Director.

OTHER BUSINESS

There has been no notice of other business validly given by any member under the Corporations Act 2001.

NOTICE OF MEETING

The notice of meeting was sent to all members. Can I take it that the notice of meeting convening this meeting is to be taken as read? Thank you.

MINUTES OF THE PREVIOUS GENERAL MEETING

The minutes of the previous general meeting of members of the company, which was the Annual General Meeting held on 18 November 2016, have been approved by the Board and signed by the Chair. The original minutes are tabled and are available for inspection by any member wishing to see them.

And now to the Chairman's Address:

Once again, thank you for coming today. This is my fourth AGM as Chairman and I am pleased to report on the third successive year of revenue and profit growth of Macquarie Telecom Group.

Our continued focus on net sales performance and industry leading customer service has driven an increase in revenue by 8% and EBITDA by 25% compared to fiscal 2016.

Our Hosting segment contributed \$77.5 million in revenue, an increase of 22% compared to fiscal 2016, and an EBITDA of \$21.6 million, an increase of 54%. The segment's investments in data centres and infrastructure and its Hybrid IT, Cyber Security and Secure Cloud offerings, have placed it in a strategic sweet spot ready to assist customers on their journey to the cloud. Improved sales success has been realised as these investments have been leveraged.

The Telecom segment continues to be an important part of the Group's overall offering, delivering \$142.1 million in revenue and EBITDA of \$18.7 million, representing an increase of 2% compared to fiscal 2016. This performance reflects the continued growth in market share in a highly competitive market while maintaining EBITDA margin of 13%. The segment's SoUnTelco brand positioning and a clear focus on providing a great customer experience continue to be compelling in driving customer acquisition.

Continued strong conversion of the EBITDA performance to cash resulted in operating cash flows of \$41.4 million for the year. The Company is debt free and had a cash position of \$31.8 million at the end of the FY17 year.

Investments in Growth Capex increased total capital expenditure to \$38.5 million compared to \$19.9 million in fiscal 2016. These investments were in Hosting for the Fortune 100 customer, Intellicentre 2 Data Hall fit-out and Intellicentre 4 capacity, and in Telecom for data networking technology (SD-WAN) and insourcing the network operations centre.

The declaration of a 25cps fully franked final dividend in FY17, in addition to the 25cps fully franked interim dividend, reinforces our confidence in our strategy.

Bulletproof Offer

Macquarie Telecom Group Limited this week announced its intention to make an off-market bid through its wholly-owned subsidiary, Macquarie Cloud Services Pty Ltd, to acquire all of the ordinary shares in Bulletproof Group Limited for A\$0.11 cash per share.

Macquarie has a relevant interest in 16.11% of the issued capital, via a Call Option Deed with Mr Anthony Woodward, CEO and co-founder of Bulletproof.

The offer price of A\$0.11 per share values Bulletproof's issued capital at approximately A\$17.9 million. It represents:

- a 64.2% premium to the closing price of BPF shares on 17 November 2017 of A\$0.067; and
- a 57.1% premium to the 1-month VWAP of BPF shares of A\$0.07.

Bulletproof is a longstanding business with a talented and experienced team which has a strong strategic fit with Macquarie. The combination will enable Macquarie and Bulletproof customers to access a full set of cloud options of colocation, private cloud and public cloud. We believe it is in the interests of Bulletproof shareholders to accept the Macquarie Offer.

The Macquarie Offer is conditional upon receiving acceptance from 90% of Bulletproof shareholders.

David Tudehope will discuss further in his Address.

Outlook

We are continuing to see positive traction from fiscal 2017, resulting in continued improved performance across the Company.

We reaffirm previous guidance for 1H FY18, which has been driven by strong net sales performance in the Hosting segment and through disciplined cost management in both the Telecom and Hosting Business.

With this key focus on Cyber Security we have been recently recognised with certification for our Cloud Platform by the Australian Signals Directorate (ASD) (part of the Department of Defence). This certification is for classified (Protected) cloud, data and workloads, distinguishing our Australian Government offer from other cloud platforms.

We are confident that Hosting revenue will continue to grow in FY18 and as a result we are investing in Hosting Growth Capex.

In line with the continued performance improvement the Company intends to declare a fully franked interim dividend of 25cps for H1 FY18.

An update on full year performance in fiscal 2018 will be given with the half year results announcement.

In conclusion, ladies and gentlemen, the Company had an outstanding 2017 fiscal year and we enter the new financial year confident we will continue to leverage our investments to drive further shareholder value and ongoing returns.

I would like to thank the Board and Management team for their contribution.

I will now hand over to David Tudehope, Chief Executive of Macquarie Telecom Group.