

Full Year Results.

2018

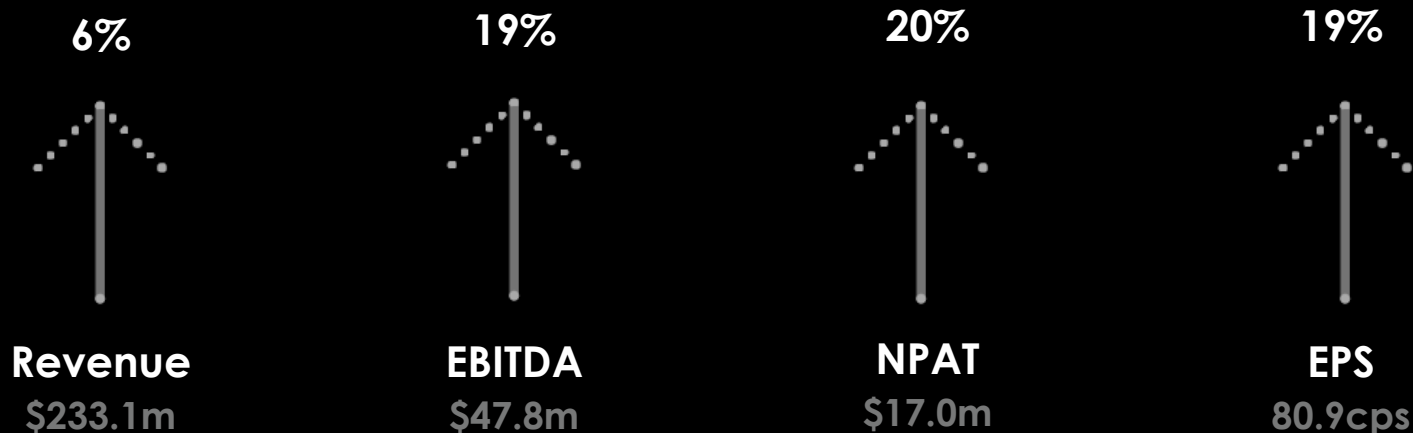
29 August 2018

CEO Presentation.

Business Summary.

Business Areas	 macquarie TELECOM	 macquarie CLOUD SERVICES	 macquarie GOVERNMENT
Percentage of Revenue & EBITDA in FY18	 61% Revenue 44% EBITDA	 39% Revenue 56% EBITDA	
What we do	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.	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.	We are the Australian specialists in cyber security, secure cloud & colocation for Federal Government. We deliver services to 42% of Federal Government agencies.
Value proposition	Customer Service, Price, Choice, Flexibility, Control	Customer Service, Specialised and Compliant Hosting. For apps not suitable for Public Cloud	Customer Service, Security Operations Centre (SOC), Cyber Security, ASD – Certified Cloud, Data Centre in Canberra
Competitors			
People / Skill	Generalist for Voice & Mobiles TC for Data & Colocation know Business Drivers	Cloud Specialists: Custom and Compliant	Cyber Security and Hosting Specialist know Government Drivers

4 Key Business Highlights.



- Eight consecutive halves of revenue and profit growth
- EBITDA CAGR of 20.4% over the last three years
- Hosting revenue continued to grow on the back of strong sales and order implementation
- Improved operational leverage in Hosting and several one-off's in Telecom lead to an improved EBITDA result compared to FY17
- Telecom entered into a strategic relationship with the nbn to expand reach and competitiveness
- Primary focus on customer service with an ASX leading net promoter score of +70
- The Company has declared a fully franked final dividend of 25 cps



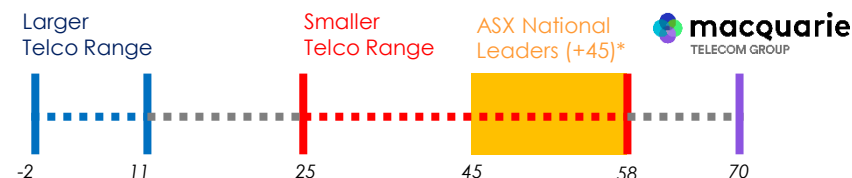
A Differentiated Offering.

6 Customer focus...

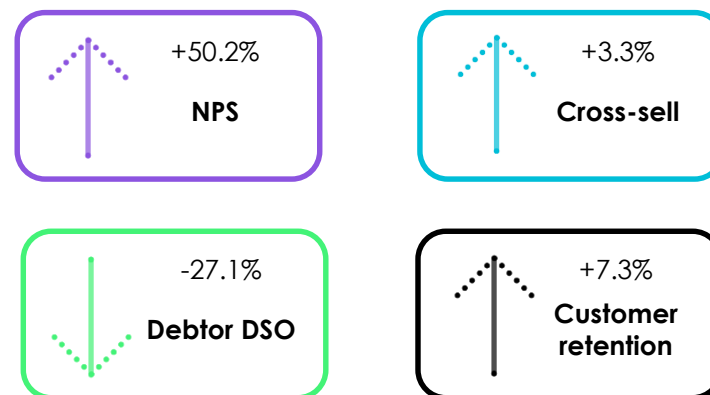
- Our continued focus on providing a great customer experience is core to our service offering & differentiation
- Macquarie's net promoter score (NPS) is +70 for Q4 FY18 – Australian leading NPS
- NPS is the measure of customer loyalty that is assessed on a scale of -100 to +100, where a score of greater 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

is delivering improved performance.

NPS Q4FY18



Key metrics since Q4FY14 to Q4FY18



* Source: The Customer Experience Company – Industry ranges from 'NPS Pulse Check' based on Q42016 – see <http://customerexperience.com.au/nps-benchmark/>

Macquarie Telecom

- #1 in SDWAN in Australia
- Strategic partnership and investment with NBN Co to expand reach and competitiveness
- Successfully insourced our NOC, to reduce Opex and increase our NPS
- Double digit revenue growth in mobile business in a flat market

Macquarie Cloud Services

- Leading provider of Hybrid IT for Corporate IT and SaaS, supporting customers on their journey to the Cloud
- External audit and validation by Maritz CX as a Global leader for NPS (+84)
- Strong cross sell of Cloud solutions into Telecom's customer base
- Expansion of a Hybrid IT Cloud node in Perth

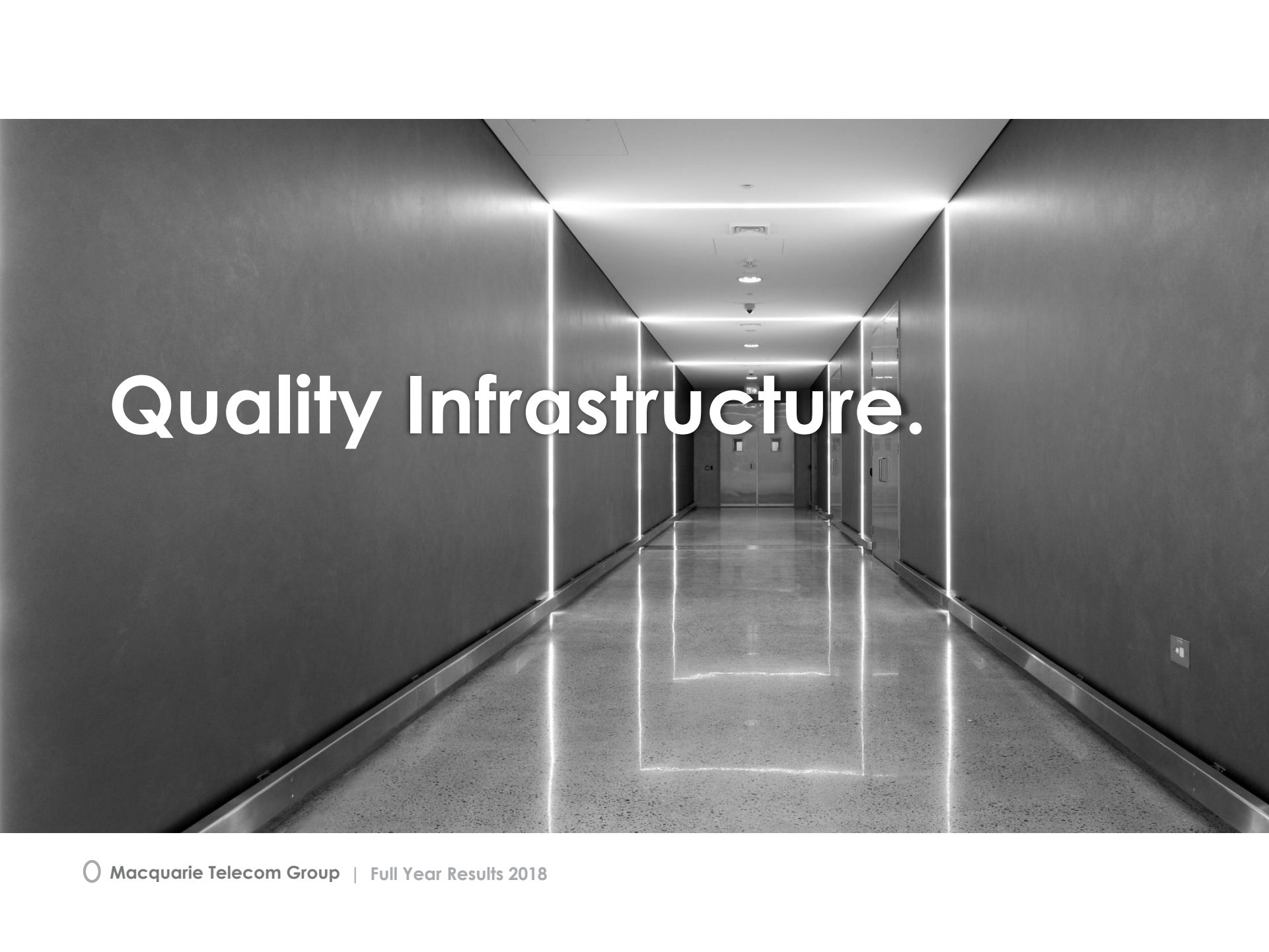
Business Highlights

Macquarie Government

- 42% of Federal Government agencies have contracted with Macquarie
- Our Government Cloud is certified by ASD (Australian Government) for classified data
- We continue to invest for growth in this business
- Secure Internet Gateway (SIG) and Secure Cloud services have continued to grow

Intellicentres

- Announced investment in IC3 East with initial capital expenditure of \$75-80m, majority incurred across CY2019
- IC3 East data centre is designed for global hyperscalers, enterprises and Government and is expected to achieve practical completion in late CY2019
- Stage 2 for Fortune 100 customer billing from March 2018



Quality Infrastructure.

9 Intellicentre Business.



Commercial &
design
flexibility



Carrier Neutral



Proven Track
Record



Compliance and
Government
Security



Customer
Service



Speed of
Response

10 Macquarie Telecom Intellicentre 2



Intellicentre 2

- **IC2 Return on Assets 28%**
= EBITDA / Capex
includes sale and leaseback of land and shell
- **Total load 10MW**

11 Macquarie Telecom Intellicentre 3 East – Phase 1

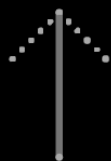


Intellicentre 3 East

- Initial build capex \$75-80M
- Keppel contribution to core and shell build cost \$26-36M
- 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
- Practical completion in late CY2019

FY18 Colocation Business Highlights.

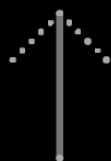
18.4% YoY



Revenue

\$33.4m

19.4% YoY



EBITDA

\$15.6m

14.6% YoY



EBITDAR

\$20.1m

- Colocation EBITDA Margin of 46%
- Market leading EBITDAR Margin of 60% in FY18
- Colocation revenue is billed through both Hosting and Telecom Groups



Cross connect / interconnect
5.3% of recurring revenue



Financials.

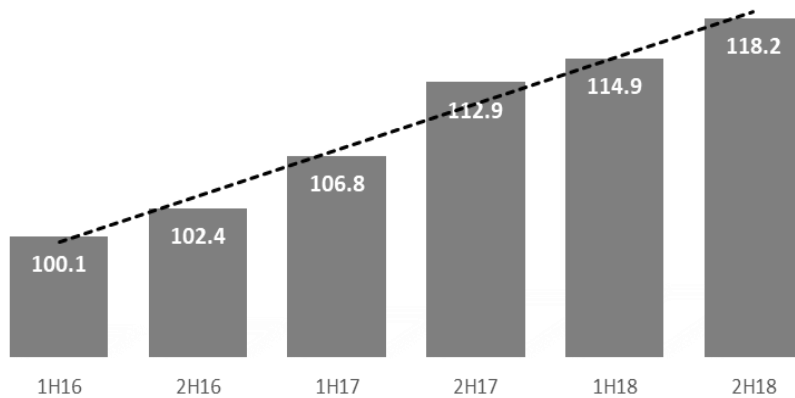
Financial Results.

\$m	FY16	FY17	FY18	FY18 v FY17 Variance	% change
Service Revenue					
Telecom	138.9	142.2	142.3	0.1	0%
Hosting	68.4	81.9	95.3	13.4	16%
Inter-segment	(4.8)	(4.4)	(4.5)	(0.1)	
Total Service Revenue	202.5	219.7	233.1	13.4	6%
EBITDA					
Telecom	18.3	18.7	21.0	2.3	12%
Hosting	14.0	21.6	26.8	5.2	24%
Total EBITDA	32.3	40.3	47.8	7.5	19%
Depreciation	(25.4)	(21.3)	(23.5)	(2.2)	
EBIT	6.9	19.0	24.3	5.3	28%
Interest	0.5	0.5	0.4	(0.1)	
NPBT	7.4	19.5	24.7	5.2	27%
Tax	(2.1)	(5.3)	(7.7)	(2.4)	
NPAT	5.3	14.2	17.0	2.8	20%

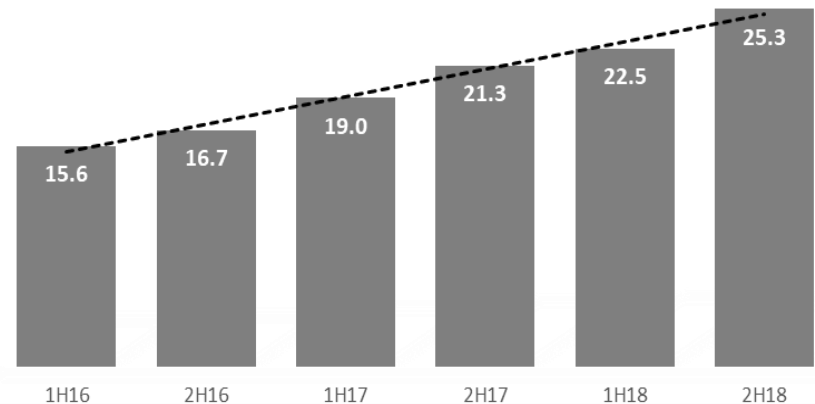
- *Inter-segment revenue relates to services provided by the Hosting segment to the Telecom segment, eliminated on consolidation*
- *Total Service Revenue excludes other income of \$474K*

Group Financial Performance.

Group Revenue (\$m)



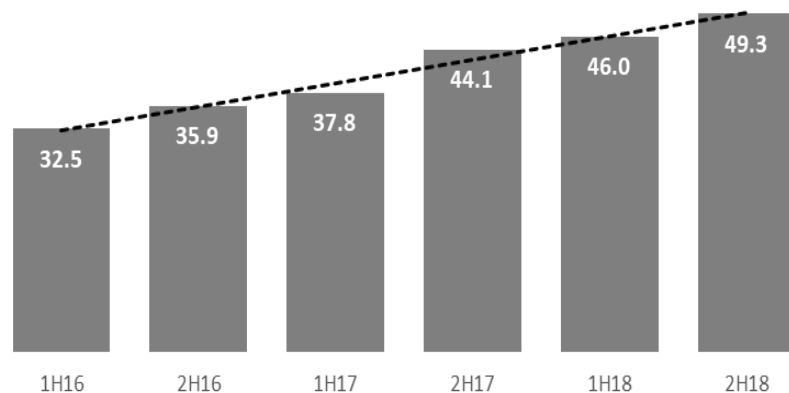
Group EBITDA (\$m)



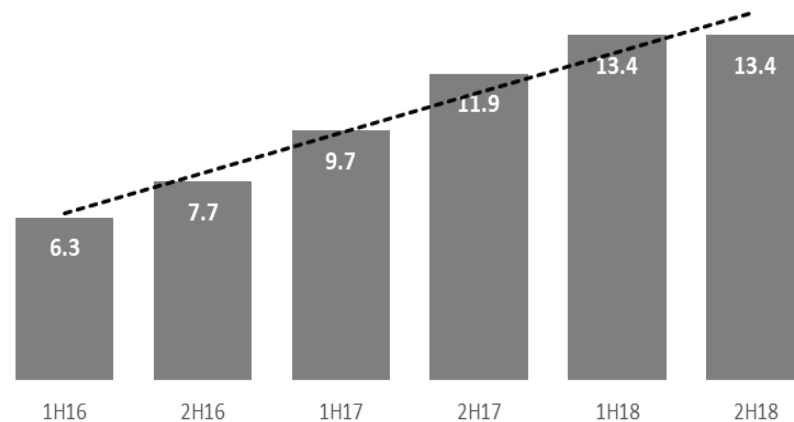
- Over the last 3 years:
 - Revenue CAGR of 6.8%
 - EBITDA CAGR of 20.4%
 - EBITDA margin for the full year improved from 16.0% to 20.5%
- Reflects strategic shift in 1H FY15 and the change in revenue mix to higher margin hosting business

16 Financial Performance – Hosting

Hosting Revenue (\$m)



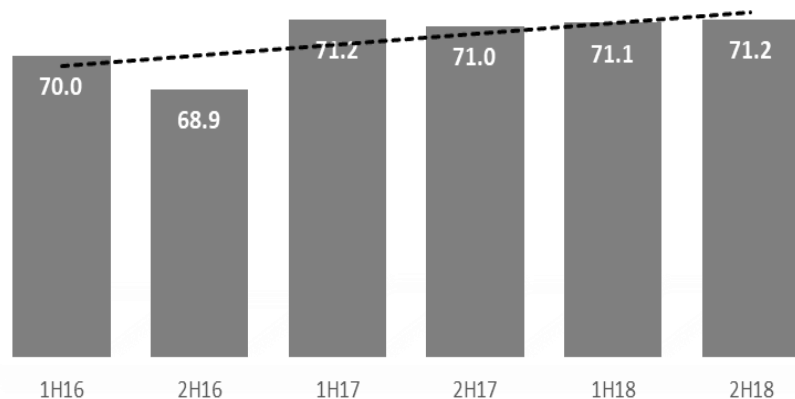
Hosting EBITDA (\$m)



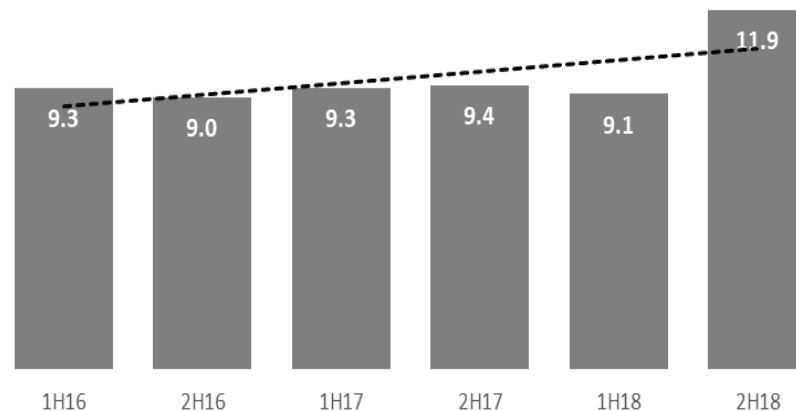
- Over the last 3 years
 - revenue CAGR of 16.5%
 - EBITDA CAGR of 33.0%
 - EBITDA margin of 28.1% reflecting 2H FY18 investment in the Government business to fund future growth
- Highly leveraged business with improving margins as infrastructure utilisation increases

17 Financial Performance - Telecom

Telecom Revenue (\$m)



Telecom EBITDA (\$m)



- Over the last 3 years:
 - revenue CAGR of 1.4%
 - EBITDA CAGR of 10.6%
- Reflects growth in market share in a highly competitive market with an improving EBITDA margin of 14.8%

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 fitout of Data Hall 4 completed in September 2017
- In the Telecom business, a current example is our transformational investment for insourcing our NOC & building a new data network platform SD WAN
- Growth Capex was \$11.5m in FY18

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 \$11.0m reflective of our data centre sales success & product mix

Maintenance Capex.

- Most of the remaining Capex is infrastructure refresh and internal software development
- This is known as **Maintenance Capex** and was \$11.3m for FY18

Balance Sheet & Cash Flows.

- Cash of \$30.3m and no debt
- Strong conversion of EBITDA to operating cash flows
- Full Year capital spend of \$33.8m
 - Growth Capex \$11.5m
 - Customer Growth Capex \$11.0m
 - Maintenance Capex \$11.3m
- Interim FY18 dividend of 25 cps (\$5.27m) was paid during 2H18 in addition to the final FY17 dividend of 25 cps (\$5.24m) paid in 1H18

Balance Sheet

\$m	FY18	FY17
Cash and cash equivalents	30.3	31.8
Other current assets	21.4	20.0
Non-current assets	92.0	81.4
Total Assets	143.7	133.2
Creditors	33.5	28.7
Other Liabilities	16.9	18.1
Total Liabilities	50.3	46.8
Total Equity	93.4	86.4

Cash Flow

\$m	FY18	FY17
Cash flows from Operating Activities	42.9	41.4
Cash flows from Investing Activities	(33.8)	(35.5)
Cash flows from Financing Activities	(10.6)	(10.5)
Net increase/(decrease) in Cash Held	(1.5)	(4.7)
Opening Cash and cash equivalents	31.8	36.5
Closing Cash and cash equivalents	30.3	31.8

Outlook.

- The Company's EBITDA will continue to grow in FY19, however the 1H FY19 will be flat compared to 2HFY18 due to one-off's or abnormal items received in June 2018 and further investment in sales growth
- The Company announced the expansion of its existing Macquarie Park Intellicentre to a 43MW Campus. The Campus is designed to meet the growing needs of global hyperscalers and cloud, enterprise and Government customers
- The Company expects that the initial capital expenditure on the campus, being the Intellicentre 3 East (IC3 East) data centre, will be approximately \$75-80 million, the bulk of which will be incurred across calendar year 2019. This capex will be partially offset by a fee from Keppel DC REIT to the value of \$26-36m for the development of core and building shell

- The Company will enter a 20-year lease with Keppel including options to renew. This data centre development will be funded by structured debt financing due to be finalised in Q1 FY19
- The Company announced that it has entered into a wholesale supply agreement with NBN Co. The deal will enable the provision of telecommunications and data services to Australia's business community
 - The services offered under this six-year agreement will include dedicated, Australian based nbn™ service delivery, assurance and support staff for Macquarie customers
 - It is expected that the first customers to be connected to the new services will commence billing in Q2 of the 2019 financial year

- Continued demand from our Federal Government Agencies for secure Cloud, including from Tier 1 Agencies like ATO, gives great confidence for future growth in the Government Business. Accordingly, there will be further investment in expansion in Canberra and our Cloud platform, with an increase in Opex of around \$1.5m
- Total Capex excluding IC3 East is expected to be between \$34-37m consisting of:
 - Growth Capex - \$9 to \$10 million
 - Customer Growth - \$11 to \$12 million
 - Maintenance Capex - \$14 to \$15 million
- Depreciation for the year is expected to be \$29 to \$31 million

- Telecom will continue to invest in new data networking technology (SD WAN) and will achieve a full year benefit from the insourcing of the NOC in FY19
- Hosting has delivered Stage 2 of the Fortune 100 Customer at Intellicentre 2, with full revenue earning capacity in FY19.
- This Customer has contracted for an additional 1.4MW of capacity to be provided over the remainder of the initial contract term. The Company will invest approximately \$8.4 million in data centre mechanical, electrical and plant over the next eight months to expand its capacity to meet this demand. The additional capacity is expected to be ready for service for the Customer in Q4 FY19.

- The Company has declared a fully franked final dividend of 25cps. However, during this next significant phase of capital intensive growth investment, the Company will cease paying dividends commencing 1H FY19
- An update on the first half performance for FY19 will be given at the Annual General Meeting in late November 2018

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