

macquarie
TELECOM



Full Year Results 2015

David Tudehope & Rosalia Di Prima

26 August 2015

CEO Presentation

David Tudehope

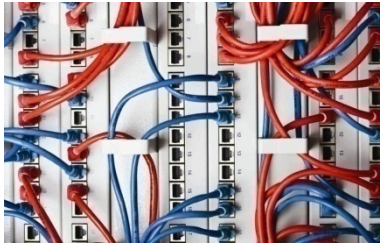
Macquarie Telecom at a glance

Macquarie Telecom delivers a range of Hosting, Cloud, Data, Mobile and Voice services specifically to the business and government market.



Hosting - Business Division

We provide secure, scalable, high-availability, co-location, fully managed hosting and cloud services for our customers' mission critical applications.



Hosting - Government Division

We protect the Australian Government from Cyber threats with specialized Gateway, Hosting infrastructure and a range of secure cloud services.



Telco Division

We provide a full range of telecommunication services to corporate and government customers including fixed line voice, data networks and mobility services through a range of carriers offering choice, control and cost reduction with an outstanding customer service model.

Macquarie Telecom at a glance

	TELECOM 	HOSTING CORPORATE IT DIGI SaaS  	HOSTING FEDERAL GOVT 
VALUE PROPOSITION	Price, Choice, Flexibility, Control	Specialized & Compliant Hosting for Apps not suitable for Public Cloud	SIG Accreditation 50 Cleared Engineers Secure Hosting – Private Secure Cloud
COMPETITORS	   	  	 
PEOPLE / SKILL	Generalist for Voice & Mobiles TC for Data & CoLo Know Business Drivers	Hosting Specialists - Complex - Compliant	Secure Hosting Specialist Know government drivers

Australia's leading Managed Hosting, Cloud and Telecommunications provider to business and government customers through the delivery of service excellence



Key Financial Metrics

- Full Year EBITDA profit of \$26.3 million, an increase of \$0.8 million on FY14 in line with upgraded guidance.
- H2 FY15 EBITDA profit of \$14.5 million, an increase of \$2.7 million on H1 FY15.
- Cash flow from Operating Activities of \$23.8 million, an increase of 25.3% or \$4.8 million on FY2014.
- Lower recurring maintenance capex for FY15 of \$14.7 million (FY14 \$20.6 million).
- First tranche of Intellicentre 2 funds received 10 August 2015 of \$40.3 million resulting in a cash position of approximately \$25 million and no debt.
- Final dividend declared of 25cps, fully franked.

Key Business Highlights

- Structural reorganisation completed during the half following the strategic review undertaken in 2014. Experienced a stronger second half as the new strategy gains traction.
- New strategy coupled with completion of three year investment phase in new data centres and cloud computing technology positions the company to leverage its investments for revenue growth and improved profit performance.
- Sale of land, shell and core building of Intellicentre 2 for consideration of \$43.3 million completed on August 10 2015 and at the same time the signing of a triple net lease for 20 years with 2 five year options.
- After receipt of the first tranche of funds from sale and leaseback of Intellicentre 2 (\$40.3 million) on August 10 the net cash balance was approximately \$25 million.
- Strong Net Sales Performance (measured as acquisition less loss and degradation) throughout FY15.
- Industry Leading Net Promoter Score of +56 for H2 FY15 validates companywide focus on customer service which is up 41 points on where we started 2 years ago.

CFO Presentation

Rosalia Di Prima

Profit Statement

			2H15		%				FY15 v		%	
	1H14	2H14	1H15	2H15	v 1H15	change	FY14	FY15	FY14	change		
Revenue												
Telco	69.5	66.2	64.3	65.4	1.1	1.7%	135.7	129.7	(6.0)	-4.4%		
Hosting	30.3	30.8	31.0	31.7	0.7	2.3%	61.1	62.7	1.6	2.6%		
Total Revenue	99.8	97.0	95.3	97.1	1.8	1.9%	196.8	192.4	(4.4)	-2.2%		
EBITDA												
Telco	13.3	11.3	10.6	11.0	0.4	3.8%	24.6	21.6	(3.0)	-12.3%		
Hosting	2.8	3.1	3.8	5.8	2.0	52.6%	5.9	9.6	3.7	63.9%		
Corporate Office	(2.8)	(2.2)	(2.6)	(2.3)	0.3	-11.5%	(5.0)	(4.9)	0.1	-1.8%		
Total EBITDA	13.3	12.2	11.8	14.5	2.7	22.9%	25.5	26.3	0.8	3.1%		
Depreciation	12.3	14.1	14.8	16.5	1.7		26.4	31.3	4.9			
EBIT	1.0	(1.9)	(3.0)	(2.0)	1.0		(0.9)	(5.0)	(4.1)			
Interest	(0.5)	(0.6)	(0.8)	(0.6)	0.2		(1.1)	(1.4)	(0.3)			
NPBT	0.5	(2.5)	(3.8)	(2.6)	1.1		(2.0)	(6.4)	(4.4)			
Tax	(0.1)	1.3	1.3	0.8	(0.4)		1.2	2.1	0.9			
NPAT/(NLAT)	0.4	(1.2)	(2.5)	(1.8)	0.7		(0.8)	(4.3)	(3.5)			
EPS (cps)							(3.7)	(20.4)	(16.7)			

- Investments in Intellicentre capacity, Government Security and cloud capabilities are delivering an underlying improvement in results along with reduction in run rate underlying opex and maintenance costs.
- Overall revenue decrease of 2.2% for FY15 versus FY14. H2 FY15 revenue was \$97.1 million up from H1 FY15 of \$95.3 million.
- Full year EBITDA profit of \$26.3 million an increase of \$0.8 million on pcp with a strong H2 FY15 EBITDA profit of 14.5m, an increase of \$2.7m on H1 FY15.
- Depreciation up as a result of Ninefold charge and 3MW Investment at IC2, resulting in NLAT of \$4.3m as compared to \$0.8m pcp. Depreciation will reduce significantly in FY16 due to Sale & Leaseback, Ninefold and reduced maintenance capex.

EBITDA less Maintenance Capex

	1H14	2H14	1H15	2H15	2H15 v 1H15	FY14	FY15	FY15 v FY14
Capex								
Maintenance	10.8	9.8	8.2	6.5	(1.7)	20.6	14.7	(5.9)
Growth	6.2	6.7	4.2	1.0	(3.2)	12.9	5.2	(7.7)
Total Capex	17.0	16.5	12.4	7.5	(4.9)	33.5	19.9	(13.6)
EBITDA less								
Maintenance Capex	2.5	2.4	3.6	8.0	4.3	4.9	11.6	6.7

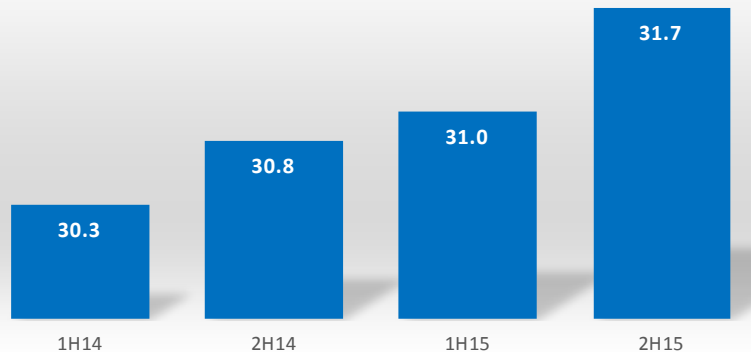
- Capital expenditure for FY 2015 was \$19.9 million (FY 2014: \$33.5 million) which includes maintenance capex of \$14.7 million (FY 2014: \$20.6 million).
- Depreciation charge of \$31.3 million vs \$26.4 million for the previous corresponding period includes a higher depreciation charge for Ninefold and IC2 3rd MW assets.
- Reduction in maintenance capex reflecting lower spend on Hosting managed cloud infrastructure.

Balance sheet

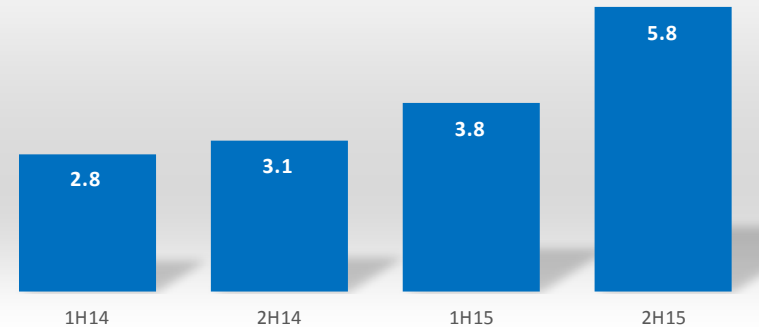
\$m	FY15	FY14
Cash and cash equivalents	6.4	4.7
Gross Trade Debtors & WIP	10.7	12.4
Other Assets	118.6	129.1
Total Assets	135.7	146.2
Creditors	23.0	27.4
Short and Long Term Debt	21.0	23.5
Other Liabilities	4.2	3.6
Total Liabilities	48.2	54.4
Total Equity	87.5	91.8

- Net debt as at June 30 2015 of \$14.6 million compared to \$18.8 million as at June 30 2014
- First tranche of funds received for Intellicentre 2 on August 10 2015 of \$40.3 million
- Net current assets of \$20.1 million reflecting strong balance sheet and working capital.

Hosting Revenue (\$m)

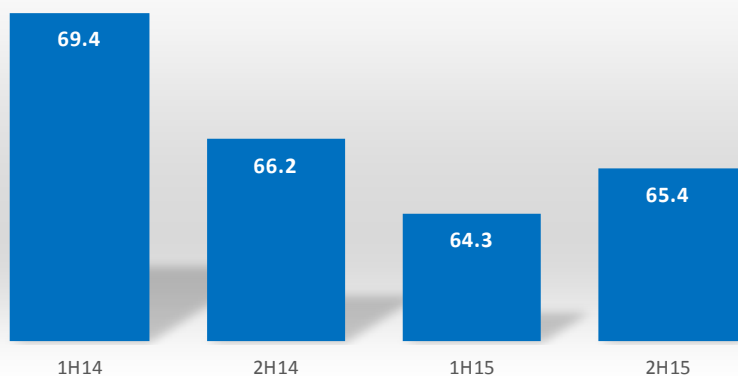


Hosting EBITDA (\$m)

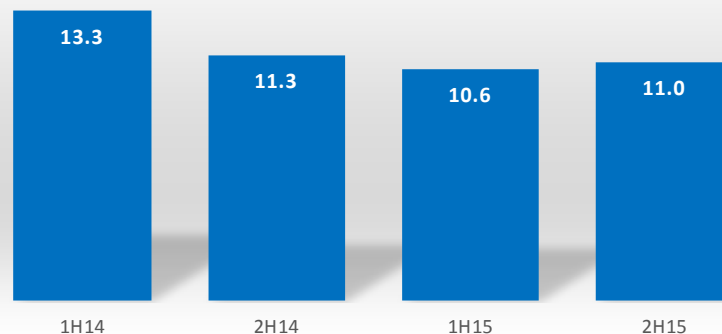


- Hosting revenue increase YoY of 2.6% - H2 FY15 revenue was \$31.7 million versus H1 FY15 of \$31.0 million.
- Hosting profit improves due to
 - Increase in revenue
 - Lower cost base in supporting managed cloud revenue
 - Reduction in Ninefold costs

Telco Revenue (\$m)



Telco EBITDA (\$m)



- Telco revenue decrease YoY of 4.4%. H2 FY15 revenue was \$65.4 million versus H1 FY15 of \$64.3 million as solid net sales performance in H1 and H2 translates to revenue growth.
- Telco EBITDA decline YoY due to revenue decrease – gross margins remain similar year on year with modest improvement in EBITDA from H1 FY15 to H2 FY15.

	1H14	2H14	1H15	2H15	1H15 v 2H15	FY14	FY15	FY14 v FY15	% change
Revenue \$m									
Data	31.3	29.2	28.8	29.9	1.1	60.5	58.7	(1.8)	-3.0%
Voice	29.0	26.6	24.8	23.8	(1.0)	55.6	48.6	(7.0)	-12.5%
Mobiles	9.2	10.4	10.7	11.7	1.0	19.6	22.4	2.8	14.1%
Telco	69.5	66.2	64.3	65.4	1.1	135.7	129.7	(6.0)	-4.4%

Cash flows

\$m	FY15	FY14
Cash flows from Operating Activities	23.8	19.0
Cash flows from Investing Activities	(19.9)	(33.5)
Cash flows from Financing Activities	(2.5)	9.5
Net Increase/(Decrease) in Cash Held	1.4	(5.0)
Opening Cash & Cash Equivalents	4.7	9.7
Effects of exchange rate changes	0.3	0.0
Closing Cash & Cash Equivalents	6.4	4.7

- Strong conversion of EBITDA to operating cash flows
- Final dividend declared of 25cps fully franked

1. Telco - continue the growth in revenue experienced in H2 FY15.
2. Hosting Business – continue to drive increased performance in the core managed hosting business leveraging the industry move from dedicated managed server infrastructure offering to lower cost Virtual Private Cloud.
3. Hosting Government – continue to increase Secure Internet Gateway revenue and introduce other products to existing Government customer agencies such as secure cloud.
4. Maintaining Net Promoter Score greater than +50 across all business segments.

	FY2016 (\$m)	FY2015 (\$m)
EBITDA	28 – 32	26
Depreciation	24 – 26	31
Maintenance Capex	14 – 17	15

Notes:

1. EBITDA for FY16 includes approx \$3m pa lease charge for Intellicentre 2 from August 10 2015.
2. Depreciation is lower due to:
 - a) No depreciation on IC2 building due to sale and leaseback.
 - b) Lower maintenance capex in FY15 and FY16 than prior years.
 - c) Reduced Ninefold depreciation charge.
3. There are currently no plans for Growth Capex in FY16 (FY15: \$5m)

Questions

Macquarie Telecom Group Ltd
Full Year Results 2015

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