

Half Year Results.









2018.

27th February 2018

2 Key Business Highlights.

- Seven consecutive halves of revenue and profit growth
- EBITDA CAGR of 24.0% over the last 3 years
- Improved operational leverage and execution of the business unit strategies led to an improved EBITDA result compared to 2HFY17
- Primary focus on customer service with ASX leading net promoter score of +66
- Successful completion of Telecom NOC insourcing project will result in a material reduction in costs in 2H FY18 and improve service delivery
- Hosting revenue continued to grow on the back of strong sales and order implementation
- The Company has declared a fully franked interim dividend of 25cps

Business Summary.

Business Areas			
Percentage of Revenue & EBITDA in H1 FY18			
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 Specialist for Data & CoLocation know Business Drivers	Cloud Specialists: Custom and Compliant	Secure Cloud Specialist know Government Drivers



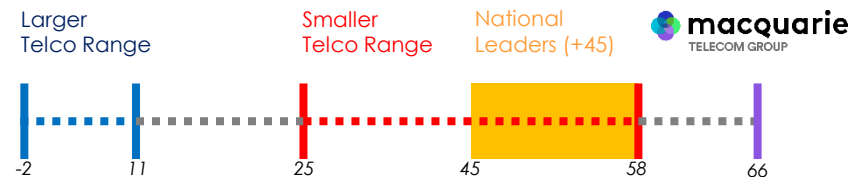
A Differentiated Offering.

5 Customer focus...

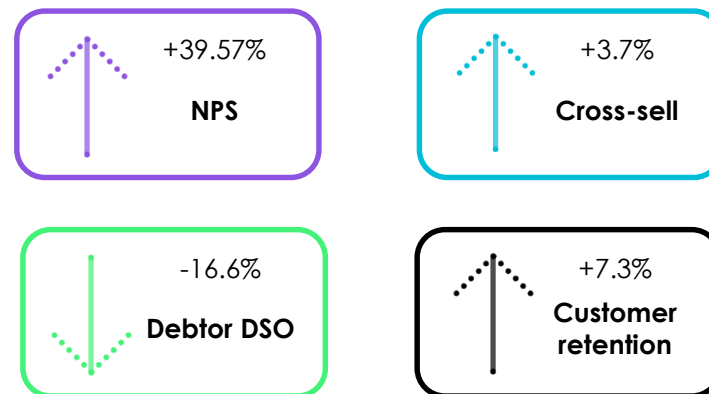
- Our continued focus on providing a great customer experience is core to our service offering & differentiation
- Macquarie's net promoter score (NPS) is +66 for Q2 FY18 – ASX leading NPS
- NPS is the measure of customer loyalty that is assessed on a scale of -100 to +100, where a score of greater than +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 Q2FY18ⁱ



Key metrics since Q4FY14 to Q2FY18





Quality Infrastructure.

7 Data Centre Portfolio.



Intellicentre 1
Sydney

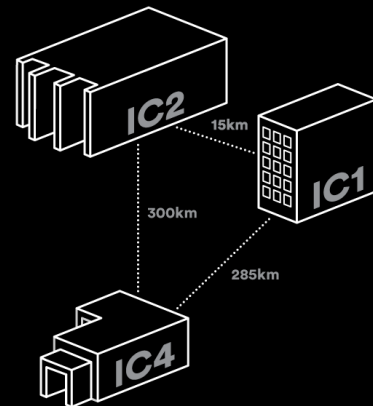


Intellicentre 2
Macquarie Park



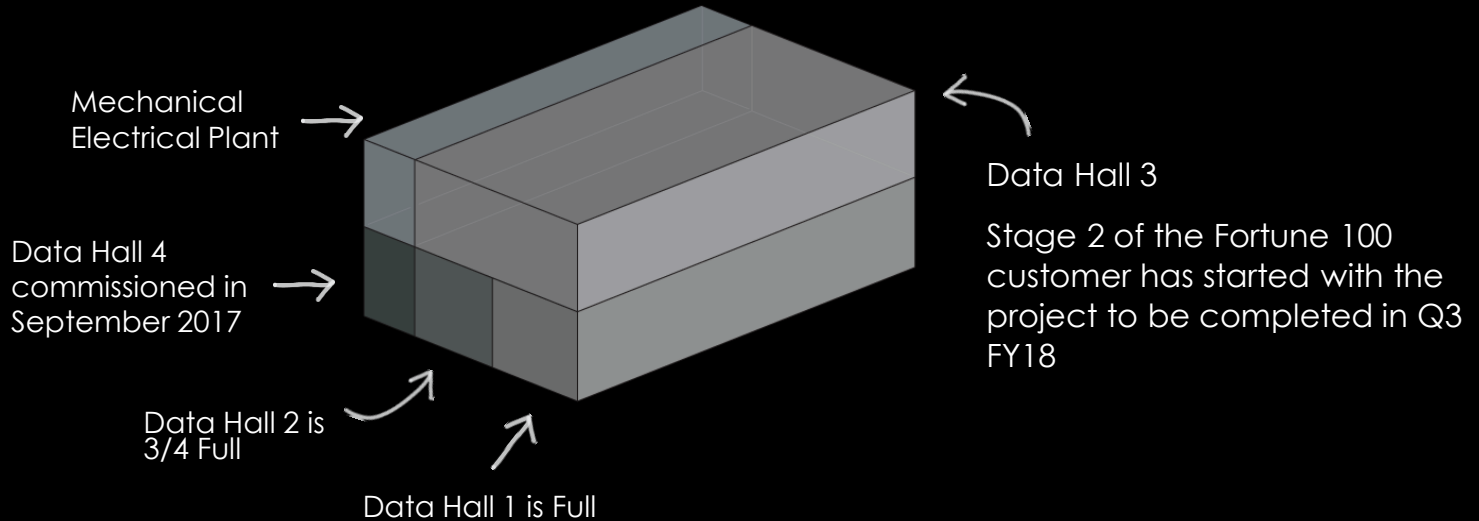
Intellicentre 4
Bunker, Canberra

- Geographically located with interconnections to increase redundancy and ensure failover of critical workloads
- Carrier neutral
- Data Centre capacity sold by all 3 businesses as part of hybrid IT solution
- Total capacity load for all Intellicentres is 12.4MW with upgrades in progress to 14.5MW



8 Intellicentre 2 Utilisation

Our flagship Intellicentre 2 data centre has achieved strong utilisation



9 IC2 Analysis

- Intellicentre 2 estimated to achieve an average of \$4.8m per MW in annualised revenue by FY19 as new larger customers turn up capacity
- Colocation sold usually as part of hybrid IT solution with managed cloud
 - Colocation represents around 14% of total company revenue
- Based on demand, over the next 3 months the business will decide on whether to build or buy data centre capacity. The potential for investment in Intellicentre 3 will increase the requirement for capex that will primarily impact FY19. Completion of the project is expected to be 2H CY19.



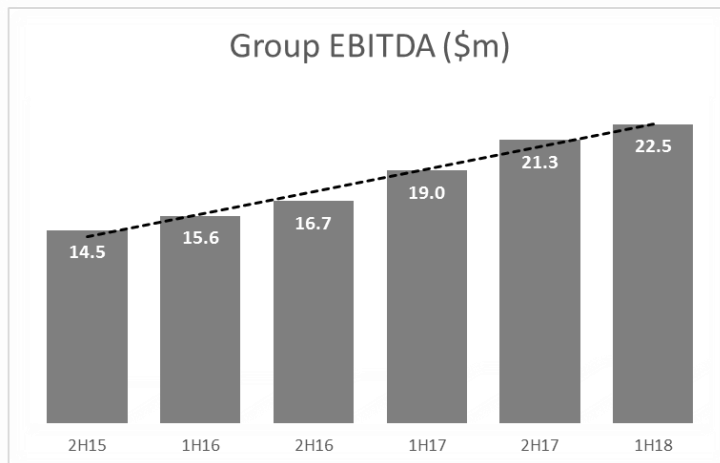
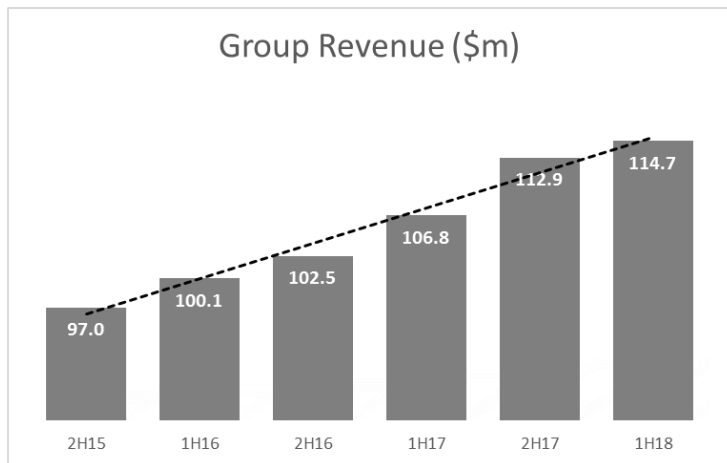
Financials.

Financial Results.

\$m	1H17	2H17	1H18	1H18 v 1H17	% change
Service Revenue					
Telecom	71.2	71.0	71.1	(0.1)	(0%)
Hosting	37.8	44.1	46.0	8.2	22%
Inter-segment	(2.2)	(2.2)	(2.2)	0.0	
Total Service Revenue	106.8	112.9	114.9	8.1	8%
EBITDA					
Telecom	9.3	9.4	9.1	(0.2)	(2%)
Hosting	9.7	11.9	13.4	3.7	38%
Total EBITDA	19.0	21.3	22.5	3.5	18%
Depreciation	(10.8)	(10.5)	(11.0)	(0.2)	
EBIT	8.2	10.8	11.5	3.3	40%
Interest	0.3	0.2	0.2	(0.1)	
NPBT	8.5	11.0	11.7	3.2	38%
Tax	(2.3)	(3.0)	(3.7)	(1.4)	
NPAT	6.2	8.0	8.0	1.8	29%

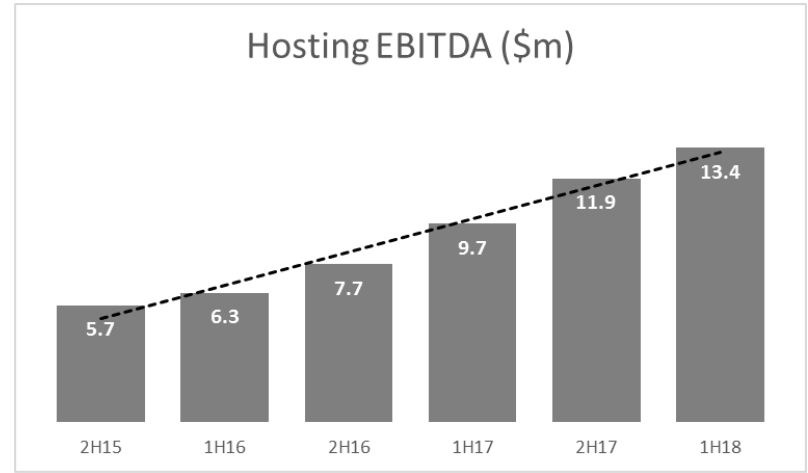
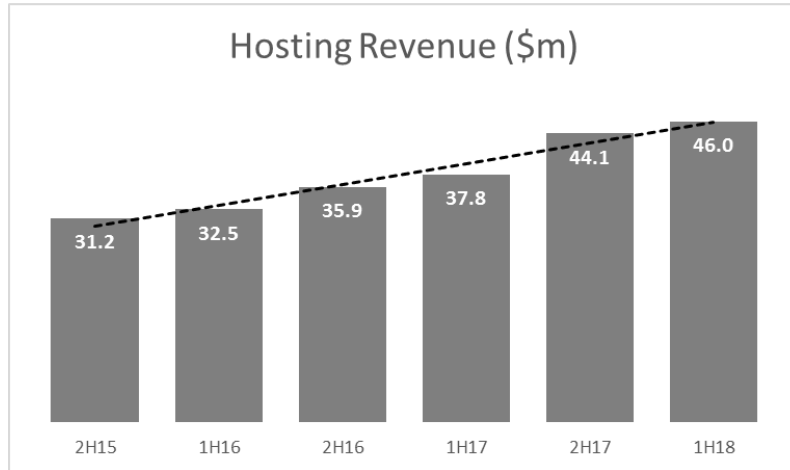
- Inter-segment revenue relates to services provided by the Hosting segment to the Telecom segment, eliminated on consolidation

Group Financial Performance.



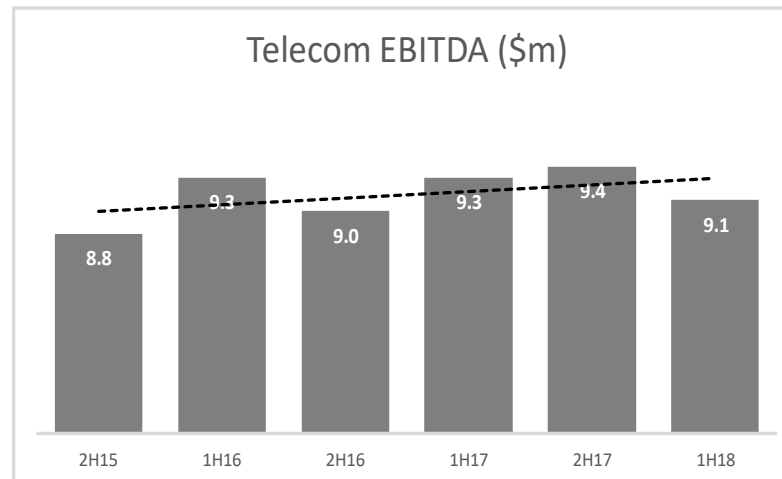
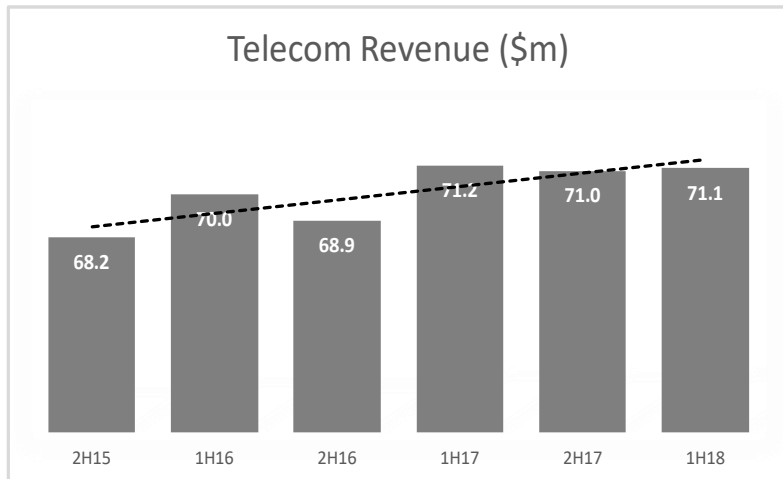
- Over the last 3 years:
 - Revenue CAGR of 6.4%
 - EBITDA CAGR of 24.0%
 - EBITDA margin improved from 12.4% to 19.6%
- Reflects strategic shift in 1H FY15 and the change in revenue mix to higher margin hosting business

Financial Performance – Hosting



- Over the last 3 years
 - revenue CAGR of 14.7%
 - EBITDA CAGR of 48.4%
 - EBITDA margin improved to 29.1%
- Highly leveraged business with improving margins as infrastructure utilisation increases
- Strong Government cloud growth underpinned by ASD certification of our cloud offering

Financial Performance - Telecom



- Over the last 3 years:
 - revenue CAGR of 2.0%
 - EBITDA CAGR of 5.7%
- Reflects growth in market share in a highly competitive market while maintaining EBITDA margin of 13%
- 1HFY18 EBITDA negatively impacted by investment in the insourcing of a Network Operations Centre (NOC). This will result in a material ongoing reduction in costs commencing 2H FY18

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 Stage 2 fit out for Fortune 100 Customer
- 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 \$8m in 1H 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 \$6m in 1H FY18 reflective of our data centre sales success & product mix

Maintenance Capex.

- Most of the remaining Capex is infrastructure refresh and internal software development known as **Maintenance Capex**
- **Maintenance Capex** was \$6m for 1H FY18

Balance Sheet & Cash Flows.

- Cash of \$21.3m & no debt.
- Continued improvement in cash flow from operating activities
- Final dividend for FY17 of 25cps (\$5.24m) was paid during the half.

\$m	FY17	1H18
Cash and cash equivalents	31.8	21.3
Other current assets	20.0	22.5
Non-current assets	81.4	89.8
Total Assets	133.2	133.6
Creditors	28.7	30.2
Other Liabilities	18.1	14.1
Total Liabilities	46.8	44.3
Total Equity	86.4	89.3

\$m	1H17	1H18
Cash flows from Operating Activities	13.9	14.6
Cash flows from Investing Activities	(20.5)	(19.8)
Cash flows from Financing Activities	(5.2)	(5.2)
Net increase/(decrease) in Cash Held	(11.8)	(10.4)
Opening Cash and cash equivalents	36.5	31.7
Closing Cash and cash equivalents	24.7	21.3

Outlook

- Underpinned by strong sales growth, full year FY18 EBITDA is expected to be approximately \$44 to \$46 million.
- Hosting's Fortune 100 customer will commence billing for Stage 2 in Q3.
- Telecom's investment in new network operations centre insourcing was completed in December 17 and will result in a material reduction in costs & further improve service delivery in 2H FY18.
- Macquarie announced a takeover offer for Bulletproof Ltd (ASX:BPF) on November 21 with an option over 16.1% of the shares.

\$m	FY18 (\$m)
EBITDA	44 - 46
Customer Growth Capex	10 - 11
Maintenance Capex	12 - 13
Growth capex	
– Hosting	10 - 11
– Telecom	2 - 3
Depreciation	23 – 25

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