

Macquarie Telecom Group delivers four successive years of strong profit growth

Macquarie Telecom Group (ASX: MAQ) (the Company) today announced its results for the full year ended 30 June 2018 in line with updated guidance and declared a final dividend of 25cps, fully franked.

Chairman Peter James said, "Consistent execution of our strategy has delivered four years of consecutive growth. We will continue to invest to benefit from the megatrends of Cloud and Cyber Security."

KEY POINTS

- Full year revenue was up 6% to \$233.1 million for FY2018 compared to \$219.7 million for the previous corresponding period.
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) of \$47.8 million for FY2018, an increase of \$7.5 million or 19.0% on the previous corresponding period and in line with upgraded guidance.
- Cash flow from Operating Activities of \$42.9 million. The company is debt free and has a closing cash balance of \$30.3 million as at 30 June 2018.
- Net profit after tax was up 20% to \$17.0 million compared to a profit of \$14.2 million for the previous corresponding period.
- Capital expenditure for FY2018 was \$33.8 million (FY17: \$38.5 million) driven by growth Capex of \$11.5m for: The Fortune 100 Customer, Government Cloud, Data Hall 4 fit out, SD WAN investment and Telecom NOC insourcing project. In addition, customer related Capex was \$11.0m and maintenance Capex \$11.3m.
- Final dividend declared of 25 cps, fully franked which brings the Company to a full year dividend of 50 cps.

Chief Executive David Tudehope said "Macquarie's profitable growth has enabled us to invest across our business units. Our confidence in the continued growth in demand for Cloud underpins our decision to invest \$75-80m in the Macquarie Park Data Centre Campus".

PRIORITIES IN FISCAL YEAR 2019

The Company's focus in fiscal year 2019:

- Focusing on customer experience to ensure a leading Net Promoter Score.
- Leveraging the 42% of the Australian Government who have contracted with Macquarie Government, the Government team will be focused on growing revenue in both cyber security and secure Cloud computing. Our Cloud computing offering is certified by the Australian Signals Directorate.
- 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.

OUTLOOK

- The Company's EBITDA will continue to grow in FY19, however the 1H FY19 will be flat compared to 2H FY18 due to one-off 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 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 IC3 East 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.

- The existing Fortune 100 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 in Q4 FY19.
- 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 Capex - \$11 to \$12 million; and
 - Maintenance Capex - \$14 to \$15 million.
- Depreciation is expected to be between \$29 and \$31 million.
- The Company has declared a fully franked final dividend of 25 cps. However, during this next significant phase of capital intensive growth investment, the Company will cease paying dividends commencing 1H FY19.
- An update on Macquarie Telecom's first half performance in fiscal year 2019 will be given at the company's Annual General Meeting in late November.

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For more information, please contact:

David Tudehope – Chief Executive

(02) 8221 7090

Brent Henley – Chief Financial Officer

(02) 8221 7702

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.

macquarietelecomgroup.com