

MACQUARIE TELECOM GROUP LIMITED

ANNUAL GENERAL MEETING

TUESDAY, 20 NOVEMBER 2018

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 2018.

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**.

I would also like to introduce **Matthew Healy**, our **Company Secretary** also **Brent Henley** our **CFO** and **Lucas Jones** of **Boardroom** the company's share registry.

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 for the period ending 30 June 2018;
2. The adoption of the remuneration report for the year ended 30 June 2018; and
3. My re-election as Non-Executive 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 24 November 2017, 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 fifth AGM as Chairman and I am pleased to report on the fourth successive year of strong revenue and profit growth of Macquarie Telecom Group.

Key Business Highlights

Our continued focus on providing a great customer experience has resulted in market leading NPS and also contributed to an increase in revenue of 6% to \$233.1 million and EBITDA by 19% to \$47.8 million compared to fiscal 2017.

Macquarie Telecom Group delivered a net profit after tax from continuing operations of \$17.0 million, an increase of 20% on 2017.

Group financial performance

Over the last three years the Group has achieved a Revenue CAGR of 6.8% and an EBITDA CAGR of 20.4% (Compound Annual Growth Rate) which highlights improvement in operational efficiencies across the business.

The Telecom segment continues to be an important part of the Group's overall offering, delivering \$142.3 million in revenue and EBITDA of \$21.0 million representing growth in market share in a highly competitive market environment while maintaining an EBITDA margin of 14.8%.

The Hosting segment contributed \$90.8 million in revenue, an increase of 17% compared to fiscal year 2017, and EBITDA of \$26.8 million being an increase of 24%. Hosting's investments in infrastructure has led it to becoming a leading provider of Hybrid IT Solutions for Federal Government, Corporates and SaaS customers. The ability to cross sell cloud solutions into the Telecom corporate customer base continues to contribute to the success in the segment. The demand from our Federal Government Agencies for secure private cloud gives us great confidence for future growth in the Government Sector.

Balance sheet and cash flow

Continued strong conversion of the EBITDA performance to cash resulted in operating cash flows of \$42.9 million for the year. The Company is debt free and had a closing cash position of \$30.3 million at the end of the year.

Investment for future growth has been a priority with a total capital expenditure of \$33.8 million in the fiscal year 2018 driven by Customer and Growth Capex of \$22.5 million for The Fortune 100 Customer, Government Cloud, Data Hall 4 fit out, insourcing of the NOC and building a new data network platform for SD-WAN.

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.

Outlook

As announced at our full year results, the Company has entered into a six-year wholesale supply agreement with NBN Co. The deal will enable the provision of telecommunications and data services to Australia's business community that will assist the Company to expand its coverage to metro and regional markets across Australia.

It is expected that the first customers to be connected to the new services will commence billing this quarter.

The Fortune 100 customer, as announced in August 2018 has contracted for an additional 1.4MW of capacity to be provided over the remainder of the initial contract term. The Company will invest an additional \$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.

During this next significant phase of capital-intensive growth investment, the Company will cease paying dividends commencing 1H FY19.

The Company's EBITDA for 1H FY19 will be in the range of \$25-26m. An update on full year performance in fiscal 2019 will be given with the half year results announcement.

In conclusion, ladies and gentlemen, the Company has had an outstanding 2018 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 significant contribution and also the many dedicated and hardworking employees of Macquarie Telecom.

I will now hand over to David Tudehope, Chief Executive of Macquarie Telecom Group but first we have a customer video to share.