



M2 TELECOMMUNICATIONS GROUP LIMITED (ASX : MTU)

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M2 ACQUIRES WHOLESALE COMMUNICATIONS GROUP

Diversified telecommunications services provider M2 Telecommunications Group Limited (ASX: MTU) has today announced that it has acquired 100% of Wholesale Communications Group Pty Ltd ("WCG"), Australia's largest independent wholesaler of telecommunications services.

The purchase of WCG represents a significant strategic step in M2's stated commitment to becoming a powerful player in the wholesaling of combined voice and data services and follows M2's appointment by Optus as the endorsed enabler of Optus post paid mobile services in June 2006.

WCG presently provides a range of wholesale data and voice services to over 200 Internet Service Providers (ISP's) Australia wide, including high speed broadband (ADSL), wireless data services, dial-up, hosting and pre-selected voice services.

WCG is the largest network independent telecommunications services wholesaler in the Australia, with **annual revenues in excess of \$16 million coupled with a track-record of strong and growing month-on-month profitability**. WCG presently employs 22 full-time equivalent staff, divided amongst two offices in NSW and Victoria.

After an extensive due diligence process, M2 and the shareholders of WCG reached agreement to purchase the company for a **consideration comprised of cash** (including settlement of pre-existing loans within WCG) **and M2 shares, totaling approximately \$3.3 million**. The cash consideration is payable by way of an up-front payment and a second (final) payment after 12 months, subject to WCG satisfying certain performance criteria. The entire consideration is to be settled from M2's cash reserves.

Based on M2's preliminary earnings forecast for WCG the 2007/8 financial year, **the acquisition represents a Net Profit After Tax (NPAT) purchase multiple of approximately 3.7 times**. Based on this earnings assumption, the WCG acquisition represents an **Earnings Per Share (EPS) increase of approximately 1.5c per share, or an EPS uplift in excess of 30%**.

M2's Managing Director / CEO, Vaughan Bowen said of the WCG acquisition ; "This is a very significant step for our company in terms of the extent that WCG will bulk up our wholesale business unit and our presence in data products, an area where we had identified the need for more scale and skill. Importantly, we have the willing support of all members of the WCG executive management team who have committed to remain with the business to participate in the next phase of growth and integration of M2's wholesale operations".

Bowen continued ; "The addition of WCG to the M2 Group significantly adds to our critical mass and wholesale buying strength, increasing our annualized revenues to greater than \$60 million, with a forecasted significant EPS uplift, which accords with our commitment to profitable growth rather than just focusing on the top-line. We consciously took our time to select an acquisition which fitted our strategic, financial and cultural objectives, and pleasingly WCG met each of these objectives".

WCG's Director of Marketing and Business Development, Paul Dundas comments "WCG's executive team is excited about the opportunities of integrating with a larger, ASX listed entity to further strengthen our leading position in the aggregation market in Australia. Combined with M2's mobile wholesaling relationship with Optus, WCG foresees strong growth from our existing ISP clients, as they move into the supply of voice services to their customers".



"M2 has evidenced to us their genuine commitment to the wholesale marketplace and have a proven track-record of delivering profitable, sustainable growth, whilst maintaining a flexible and supportive relationship with its customers, which contributed greatly to our decision to move forward with the transaction" said Dundas.

M2 has set in place a structured WCG integration plan for the coming months, to ensure all available operational efficiencies between the businesses are realized as early as possible whilst continuing to selectively pursue further acquisitions and continued organic growth across its wholesale and retail (small enterprise) business units, both in Australia and New Zealand.

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About M2 :

M2 Telecommunications Group Limited (ASX : MTU) is a network independent provider of fixed line, mobile and data telecommunications services Australia wide. M2 offers a suite of unique bundled telecommunications services and value added offerings targeted principally at the small enterprise market, which are distributed through an exclusive national network of sales dealerships and agencies. M2 established a wholesale business in mid 2006 via its M2 Wholesale subsidiary, following its appointment as Optus' exclusively endorsed aggregator/enabler of Optus mobile services to other telecommunications service providers, ISP's and aspiring mobile virtual network operators (MVNO's).

The company has demonstrated strong growth in both revenue and "bottom line" profit year-on-year for each of the last 5 years and was named by BRW as one of Australia's fastest growing companies in 2003, 2004, 2005 and 2006 and on the Deloitte Technology Fast 50 in 2004 and again in 2005. M2's balance sheet is free of debt and boasts sizable cash reserves. The Company has an established dividend policy, with high yield franked dividends being paid over the last 2 years.

For more about M2 visit www.m2.com.au

M2's share price closed at 62c yesterday (ASX : MTU).

About WCG:

Wholesale Communications Group (WCG) is one of the largest buying groups in the Telecommunications industry. WCG currently supply services to over small and medium sized telecommunications and Internet service providers Australia-wide with a wealth of experience in providing voice and data telecommunications services and billing systems.

The Management and Staff of WCG believe in continually exceeding expectations. WCG strives to not only provide its clients the best possible range of products and services at competitive pricing but to work with them and help them to consistently build their business.

WCG is a solutions provider that delivers a single point of interface to multiple carriers, hardware and software providers. WCG provides its customers with access to business-to-business ("B2B") interconnectivity, web based online ordering and provisioning systems, designed to make doing business with WCG as easy as possible..

For more about WCG visit www.wcg.net.au

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