



M2 Telecommunications Group Limited (MTU) Results Presentation

Full Year 2008/9

27 August 2009



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Presentation content



The Numbers – 2008/9

The M2 Business and Strategy

The Outlook (Guidance 2010)

Questions and discussion



The Numbers

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A milestone year of growth

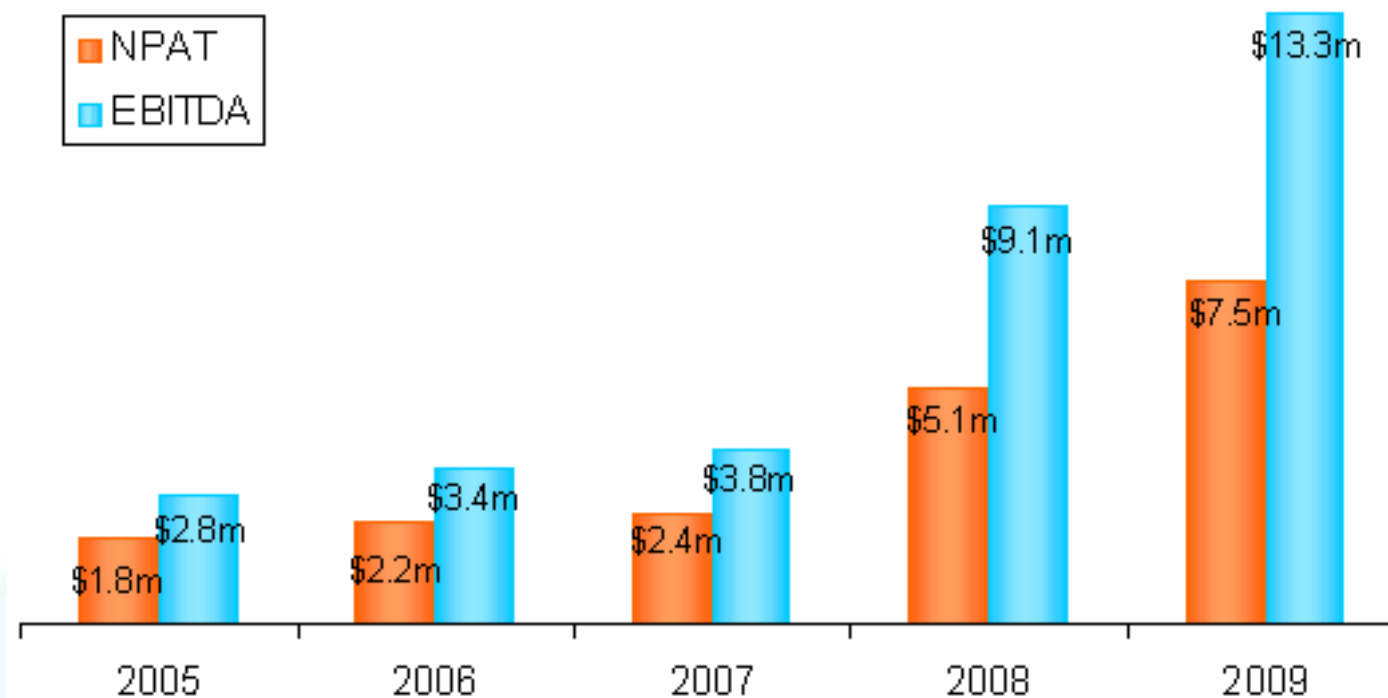


M2	FY09	FY08	% change
Revenue (\$m)	202.7	109.2	Up 86%
EBITDA (\$m)	13.3	9.1	Up 46%
EBIT (\$m)	11.2	7.9	Up 43%
EBIT (\$m) normalised*	12.0	8.4	Up 44%
NPAT (\$m)	7.5	5.2	Up 45%
NPAT (\$m) normalised*	8.3	5.7	Up 46%
EPS (cents)	8.9	6.5	Up 37%
EPS (cents) normalised*	9.9	7.2	Up 38%
Dividend (cents, ff)	5.5	5	Up 10%

* "Normalised" EBIT, NPAT and EPS results each include an add-back of a non-cash cost of \$774,000, comprised of amortisation costs associated with customer contracts acquired in the previous period (in accordance with revised Australian Accounting Standards) and a once-off charge relating to options issued under the M2 Executive (and Employee) Share Option Plan.



Earnings growth – a consistent trend



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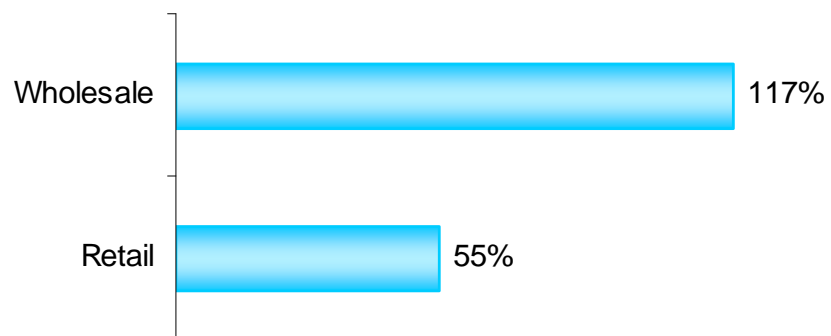


Strong revenue growth across the board

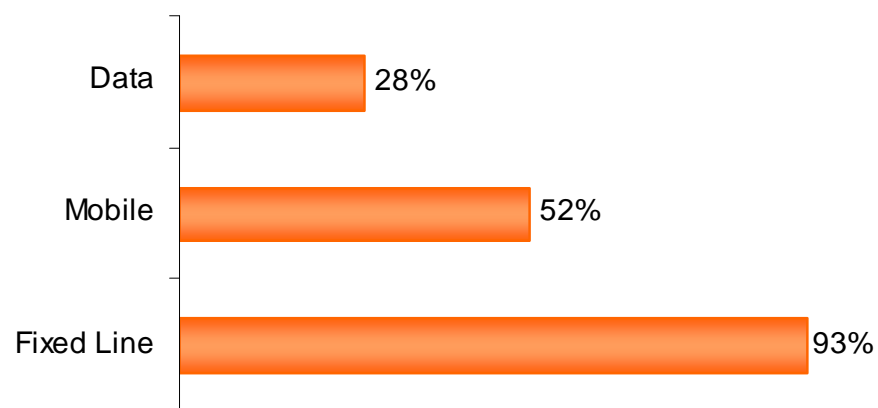


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By Division



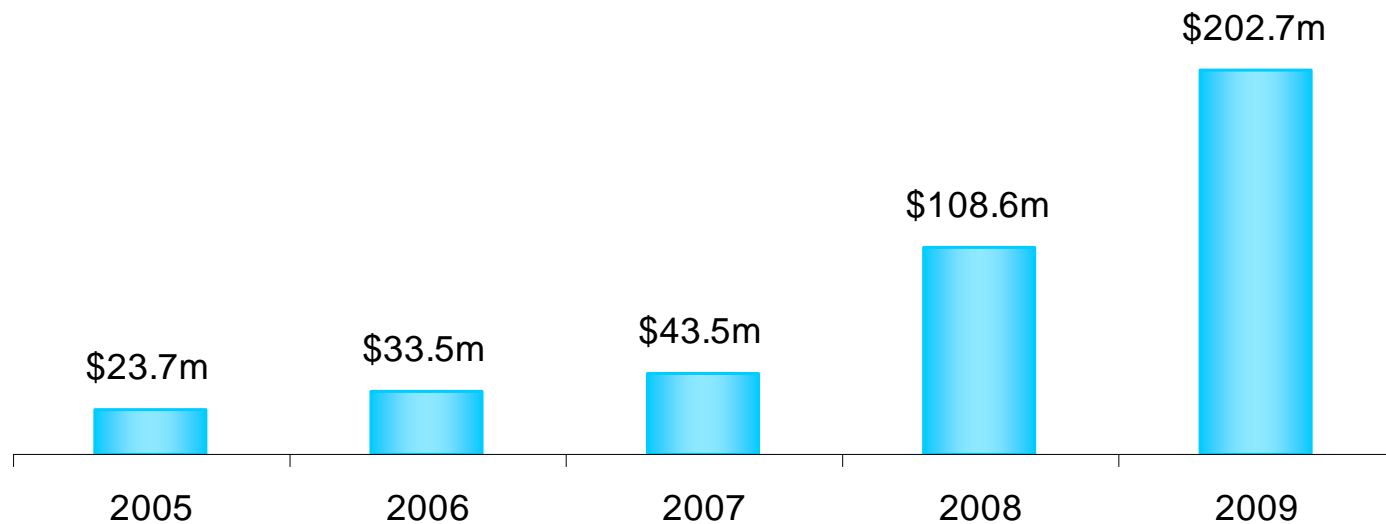
By Service Type



Consistently strong revenue growth



Consolidated Revenues



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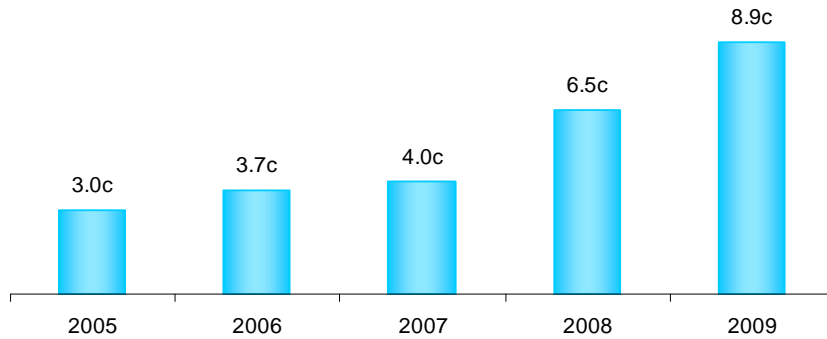


Strong EPS and DPS

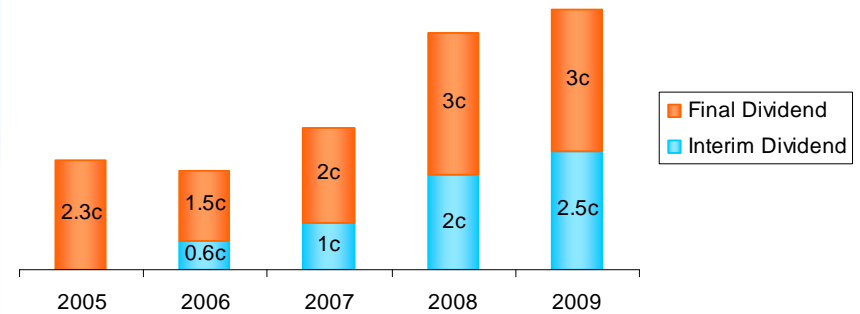


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Earnings Per Share (EPS)



Dividend Per Share (DPS)



Strong Balance Sheet and modest debt



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- Current Liabilities reduced by \$10.5m in Aug '09 upon payment of deferred consideration for Commander Assets acquisition.
- Net positive credit terms with key carrier suppliers increases Current Liabilities relative to Current Assets.

Approx \$14m net debt at 30 June. Ample coverage against all borrowing covenants.

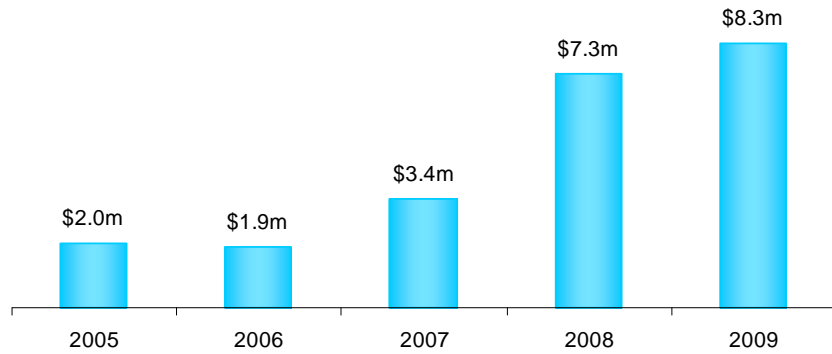
\$M	FY09	FY08
Total Current Assets	61.9	30.0
Total Non-Current Assets	79.5	37.0
Total Assets	141.4	67.0
Total Current Liabilities	73.5	28.3
Total Non-Current Liabilities	19.3	11.1
Total Liabilities	92.9	39.4
Net Assets	48.5	27.6
Total Equity	48.5	27.6



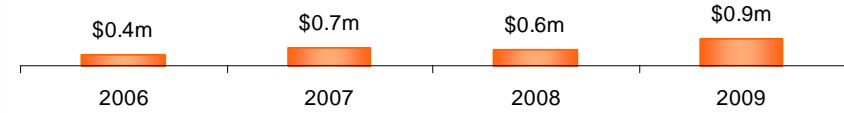
Strong and growing cashflows



Net operating cashflow



Capital Expenditure



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The Numbers – 2008/9

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What does M2 do?



A provider of a full suite of telecommunications services to Small and Medium Businesses (SMB's) and wholesale customers in Australia and New Zealand.



Fixed Line

Mobile

Broadband

Wireless
Broadband



Fast facts about M2



Founded December 1999. Listed on ASX 2004.

\$360m revenue (annualised Aug 2009). 1% telco industry market share.

Eight consecutive years growth in earnings, EPS and DPS.

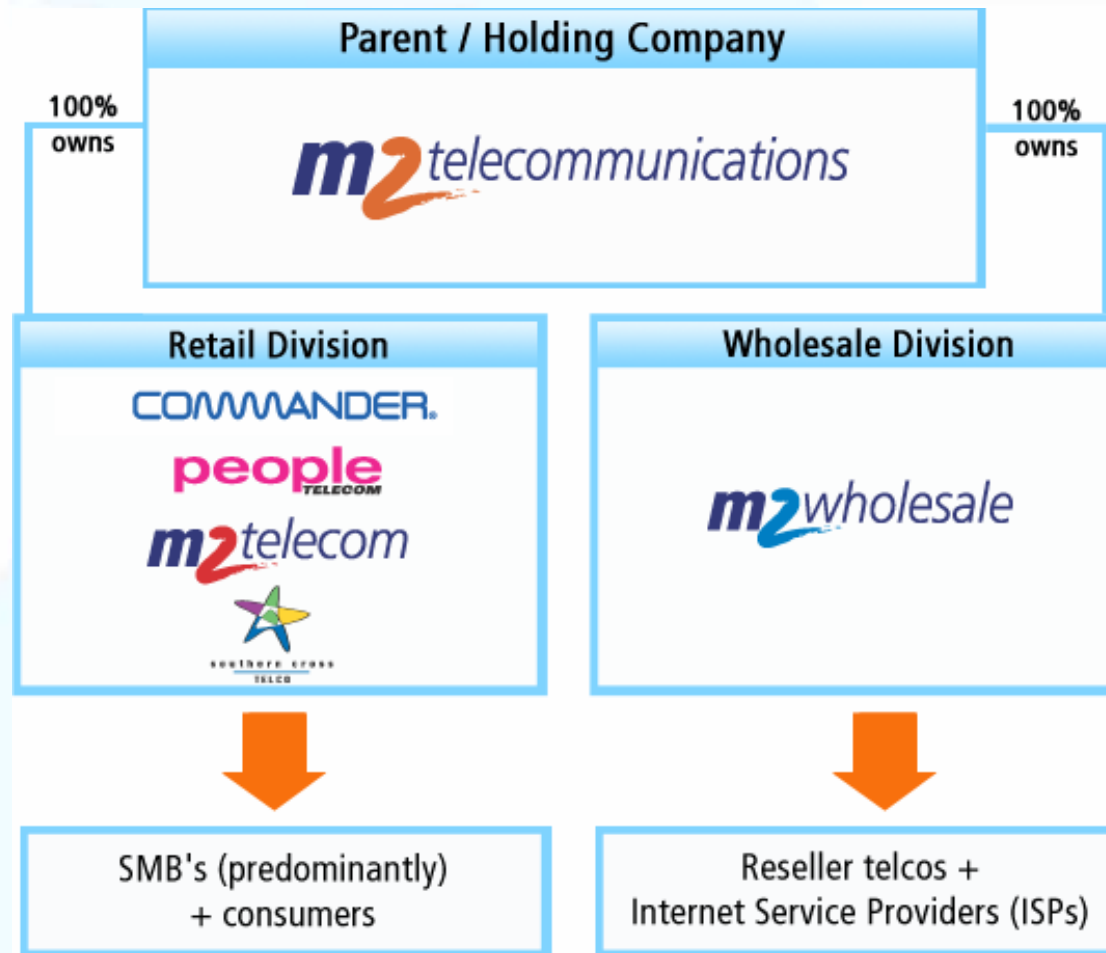
400+ team members. Retained founding Board and management team.

Minimal infrastructure. Technology flexibility.

Operates Retail (SMB focus) and Wholesale business units.



Group structure



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M2 Executive Management Team



Long-serving Board and Executive Management Team.



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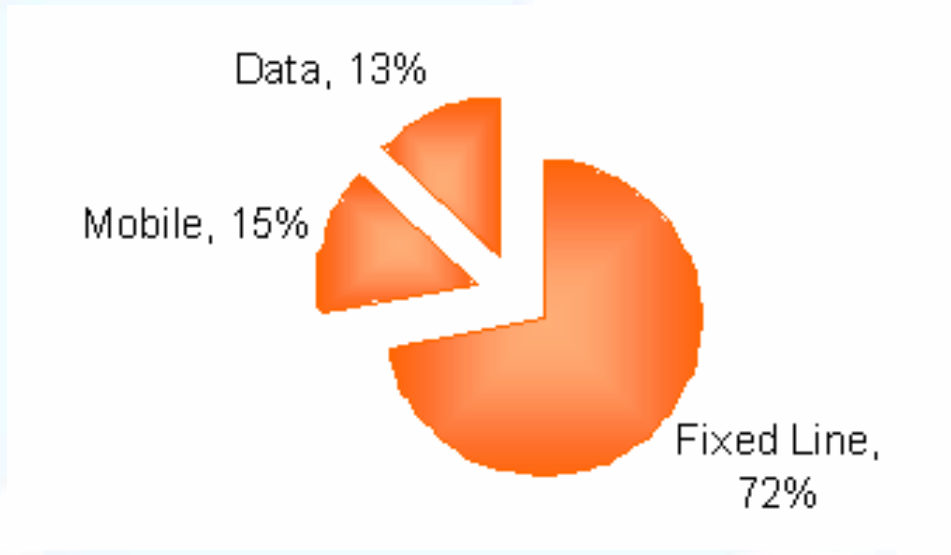
M2 Retail – fast facts



Multi-brand strategy predominantly targeting SMB's.

Indirect sales channels - national dealership network.

\$250 million recurring revenues - 100,000 customers.



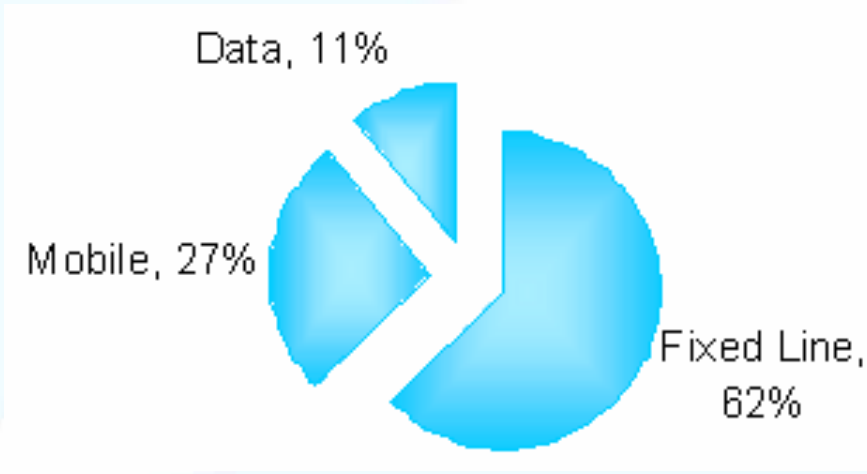
M2 Wholesale – fast facts



Full service wholesale supplier to reseller telcos and ISPs.

Direct sales model.

\$110 million recurring revenues - 250 customers.



Acquisitions during FY09



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	people <small>TELECOM</small>	COMMANDER
Date Acquired	24 April 2009	15 June 2009
Consideration	\$2m cash + 28.6m MTU shares*	\$19m cash (+ inventories)
Annualised Revenues	\$80m	\$110m
Key Features	<ul style="list-style-type: none"> - SMB 'challenger' brand - Expanding dealer network - Established NSW presence 	<ul style="list-style-type: none"> - Respected, known SMB brand - National 'Commander Centre' dealer network - 'OneStream' data network

* MTU shares on 24 April '09 were 60c, valuing the People Telecom transaction at \$19.16m (inc cash) at completion.



A careful approach to acquisitions



Maintain majority of management and operational team members.

Purchase ALL operating systems, including billing, CRM etc.

Dedicated transition / integration team.

No upheaval to channel partners or customers.

Acquisitions align with M2's core business.



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Guidance FY2010



\$M	2009(a)	2010	% Change*
Revenue	202.7	370-400	90%
EBITDA	13.3	29-31	126%
NPAT	7.5	14.5-15.5	100%
EPS	8.9c	13.3- 14.3c	55%

* From mid point of range



Key Investment Metrics (@ 26th Aug '09)



No of Shares	108,761,987
No of Options	2,625,000
Share Price	99c (@ 26 Aug '09)
Market Cap	\$107,674,367
Dividend Policy	70% NPAT
FY08 Dividends	2c interim, 3c final
FY09 Dividends	2.5c interim, 3c final
Div Yield FY09	5.05% (ff)
Forward PE Ratio (based on FY2010 Guidance)	6.88 x
Institutional Shareholders	Hunter Hall (12.3%) Pengana Capital



Priorities for the year ahead



Refine systems and processes to support the now larger Group.

Equip and support our dealer networks to continue to grow SMB base.

Better support our customers. Focus on cross-selling additional services.

Improve team leadership & communication to maximise productivity.



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Thank you