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**Macquarie Conference
Presentation**
8 May 2015

Geoff Horth, CEO

Presentation Content

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-  Organic Growth Driving Results
-  Acquisition of Call Plus Group
-  Outlook

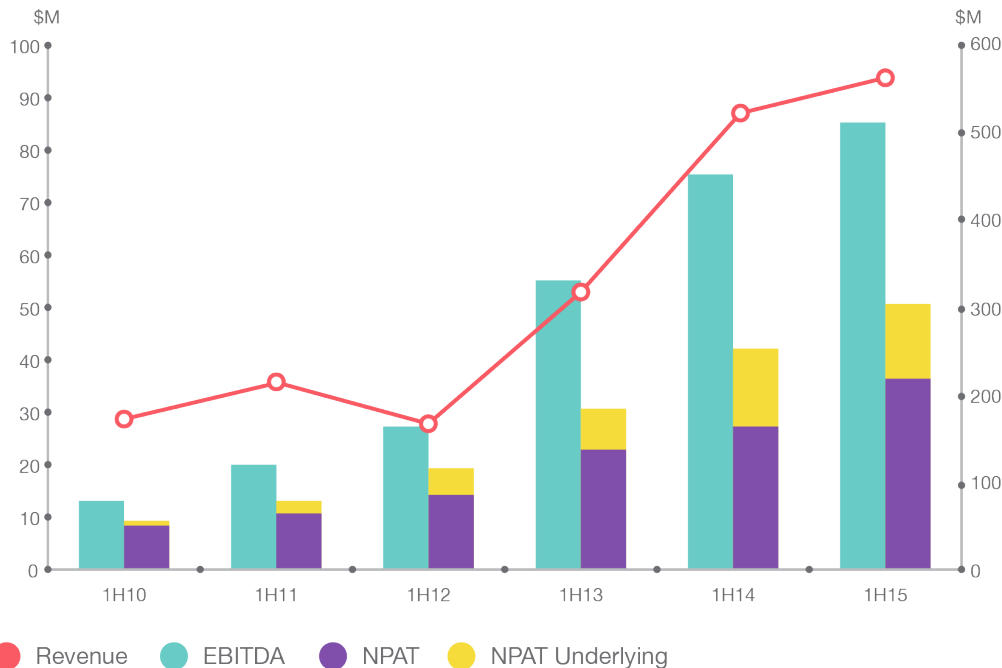


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Organic Growth Driving Results

The Numbers

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Financial performance driven solely by organic growth, not acquisition

1) Underlying NPAT includes an add-back of a non-cash cost of \$12.1 million for amortisation for the half (\$12.9 million in the previous corresponding period) associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards)

Revenue up 8% to
\$546.2 million

EBITDA up 14% to
\$86.1 million

NPAT up 25% to
\$38.5 million

NPAT (underlying) up 16% to
\$50.6 million

Compared to previous corresponding period



Scale & Efficiency Driving EBITDA Growth

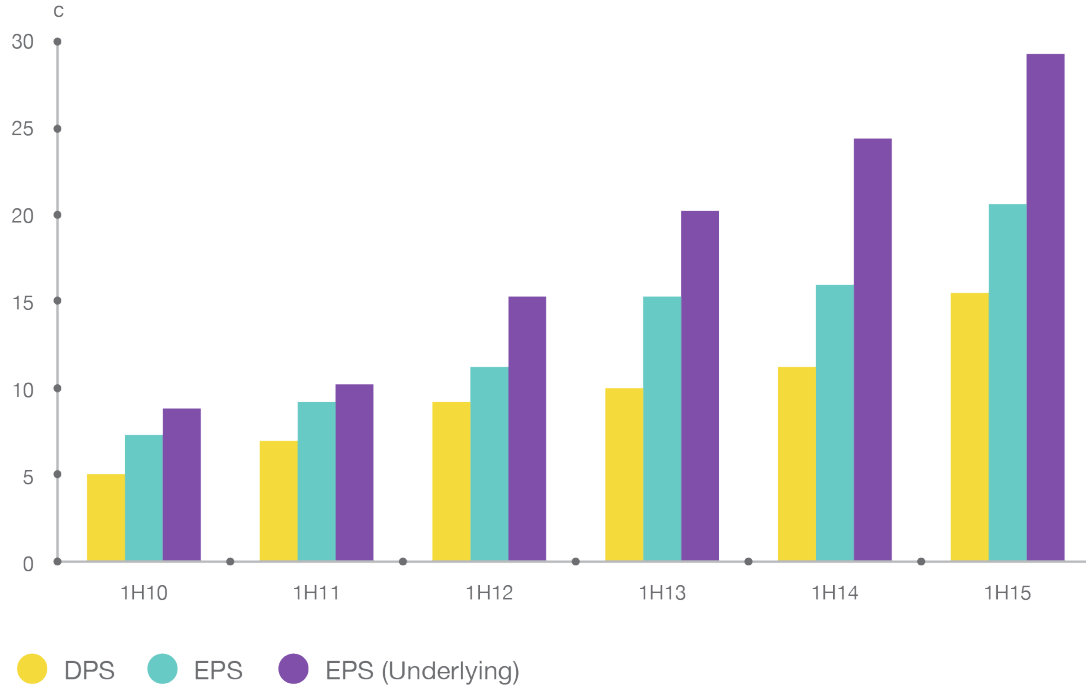
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* Outsourcing costs include a \$2.6 million increase in sales resources

Interim Dividend Up 30%

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1) Underlying EPS includes an add-back of a non-cash cost of \$12.1 million for amortisation for the half (\$12.9 million in the previous corresponding period) associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards)

Fully franked interim dividend
15 cents per share

Earnings per share up
23% to 21.2 cents

Underlying earnings per share up
13% to 27.8 cents

\$27.3 million returned to
shareholders this dividend

Compared to previous corresponding period



Continued Growth in Services In Operation

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SIO ('000s)	31 Dec 14	30 Jun 14	Net Change
Fixed Voice	796	773	23
Mobile	223	225	(2)
Broadband	508	482	26
Energy	107	93	14
Total	1,634	1,573	61

↑ 3.7% organic growth in Services In Operation in 1H15

Excludes pre-paid services. SIO: Services in operation ARPU: Average revenue per unit, per month

Diversified Services Portfolio

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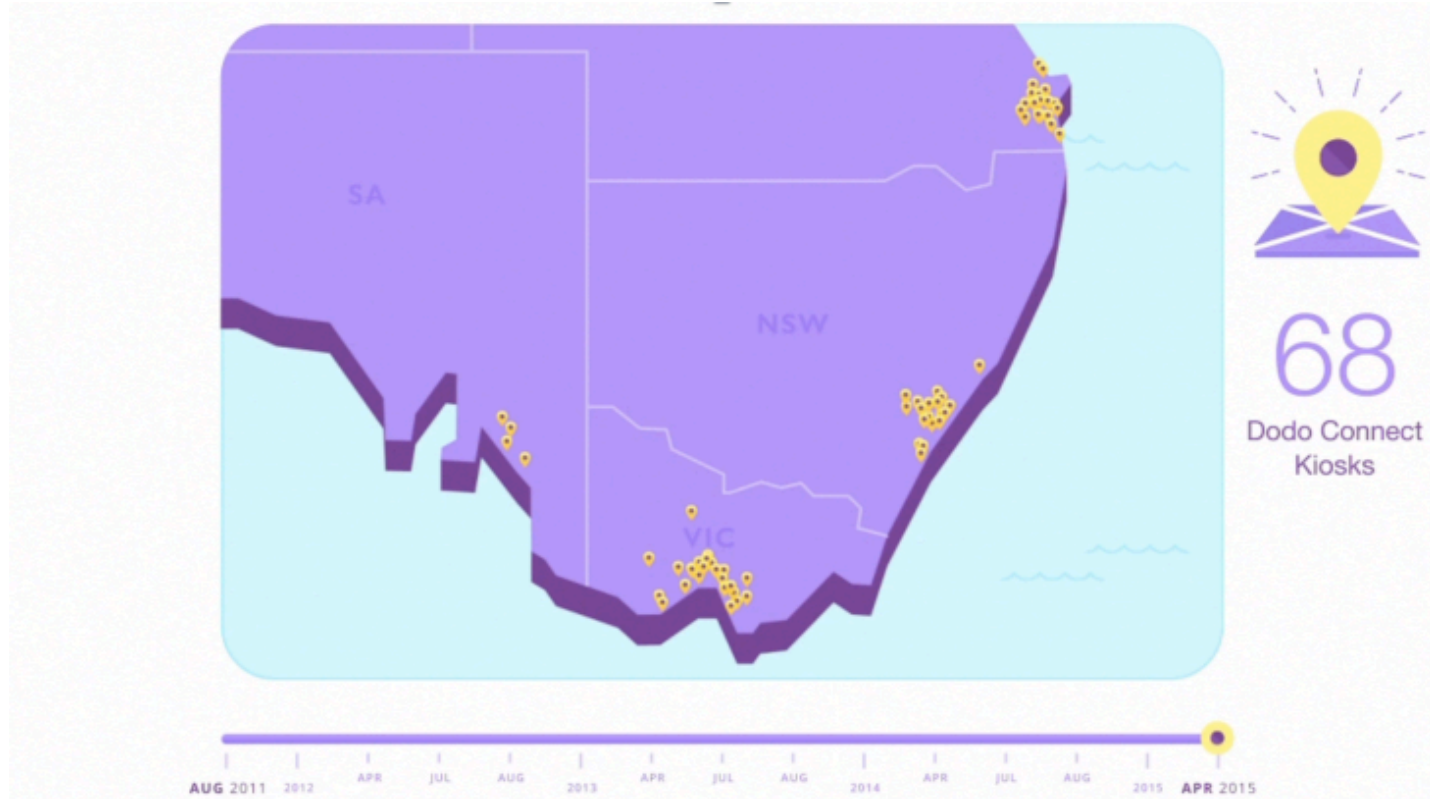
At 31 Dec 14	Consumer		Business		Wholesale		Total	
	SIO	ARPU	SIO	ARPU	SIO	ARPU	SIO	ARPU
	'000s	\$	'000s	\$	'000s	\$	'000s	\$
Fixed Voice	384	40	273	71	139	44	796	51
Mobile	178	35	37	37	7	26	223	35
Broadband	437	43	46	61	25	54	508	45
Energy	106	110	1	314	-	-	107	111
Total SIO/Av. ARPU	1,105	47	358	66	172	44	1,634	51
ARPU FY14		46		67		44		50

➔ Holding ARPU while sustaining organic growth

Excludes pre-paid services. SIO: Services in operation ARPU: Average revenue per unit, per month

Building distribution advantage

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Highlights

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- Record results with increases in revenue, EBITDA, NPAT and EPS
- Focus on efficiency and leveraging scale ensures earnings growth exceeds revenue growth
- Balance sheet strengthened, Net Debt \$234.9 million at 31 Dec '14
- Record interim dividend of 15 cents, **up 30%** on previous corresponding period
- Strong organic growth in Services in Operation





Acquisition of Call Plus Group

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Becoming NZ's third largest broadband provider

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- The transaction
- Financial impact
- Funding
- Strategic Rationale

- Acquisition of 100% of both Call Plus Group and 2Talk Limited (collectively, “Call Plus”), New Zealand’s third largest broadband provider, for NZ\$250 million (AUD\$245 million¹) on a debt-free and cash-free basis
- The acquisition is expected to complete on or before 30 June 2015 and is subject to approval by the NZ Overseas Investment Office and other customary conditions
- Call Plus expected to contribute in excess of NZ\$250 m revenue and NZ\$45 m EBITDA in FY16
- Based on consensus estimates for M2 and assuming that Call Plus contributes NZ\$45 million of EBITDA, the acquisition is expected to result in underlying FY16 EPS¹ accretion of approximately 15%²
- M2 will fund the Call Plus acquisition and refinance existing debt through new fully underwritten multi-year loan facilities
- Upon completion of the acquisition, M2 expects its pro forma leverage to be approximately 2.0x net debt / pro forma FY16 EBITDA¹
- Expands M2’s existing NZ business to become the third largest ISP and leading challenger in the NZ telecom market
- Delivers M2 a large, profitable and organically growing business that serves the same markets in NZ that M2 currently targets in Australia
- Delivers a proven management team that is experienced in operating the leading challenger business in the NZ telecom market
- Provides a nationally recognised portfolio of consumer and business brands which are well positioned to grow share in the transition to Ultra-Fast Broadband
- Further significant enhancement of scale to M2’s business
- Strong cultural alignment between the M2 and Call Plus businesses

Call Plus Overview

and favourite!



- Founded in 2000, Call Plus is New Zealand's third largest provider of broadband and fixed voice services
 - An organically growing business with a strong existing sales engine
 - More than 400,000 post paid services in operation across consumer, business and wholesale segments
 - Similar challenger culture to M2 and a highly complementary business
 - Experienced and long standing management team
 - A national, next generation network delivering voice, copper and fibre services
 - ULL network covering 65% of the New Zealand population
 - Connectivity to all fibre points of interconnect nationally
 - Well positioned to benefit from roll out of New Zealand's Ultra-Fast Broadband (UFB) network
 - Slingshot voted best ISP in the Reader's Digest Quality Service Awards 2015 and best performing ISP by Canstar Blue



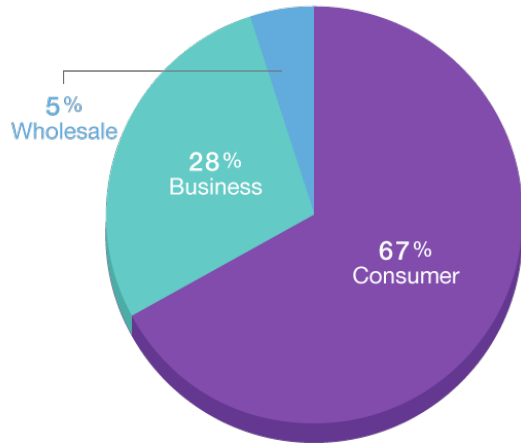
BROADBAND - ADSL
2014-2015

Call Plus Revenues by Segment and Product

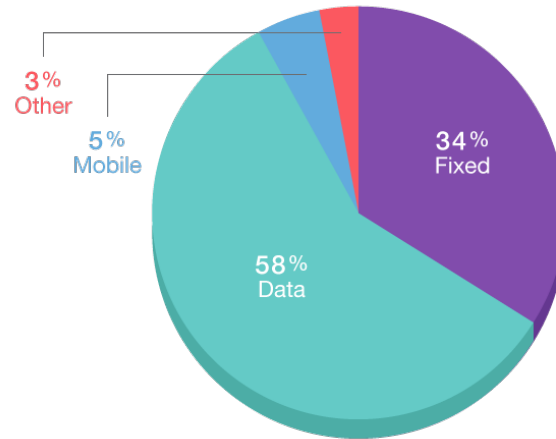
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- ▶ Call Plus revenues are predominantly derived from its consumer segment brands and from its broadband product

Revenue by Segment (FY14A)



Revenue by Product (FY14A)



Note: Pro forma financials as provided in an external provider's financial due diligence report.

The expanded M2 business

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- **Call Plus will be maintained as a self-contained operating business and will add highly complementary operations to the M2 Group in the residential and SMB segment**



- Range of fixed line, data, mobile, energy and insurance services
- Low-cost, value brand position



- Comprehensive range of good value managed voice, data, cloud and energy services for businesses
- Scalable distribution encompassing a national Dealer Network and direct sales team



- Wholesale supply to telecommunications and internet service providers
- Portfolio of traditional voice and data products in addition to next generation cloud communication services



- Range of fixed line, data and mobile services targeting residential, SMB and wholesale markets
- Portfolio of brands across the value spectrum





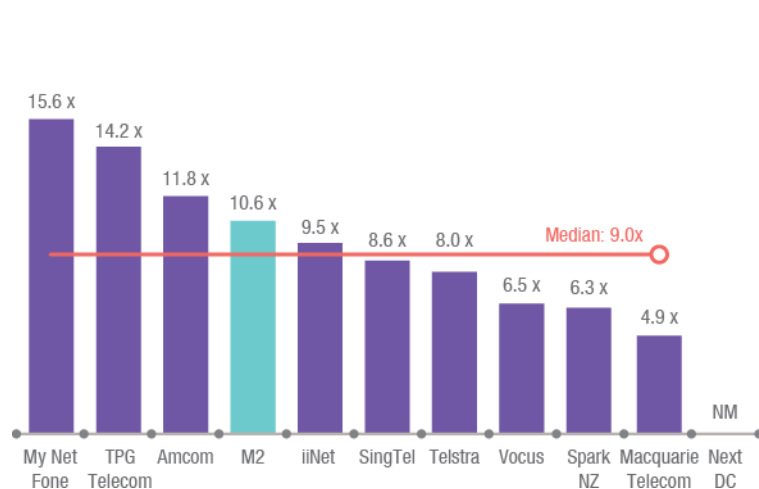
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Valuation

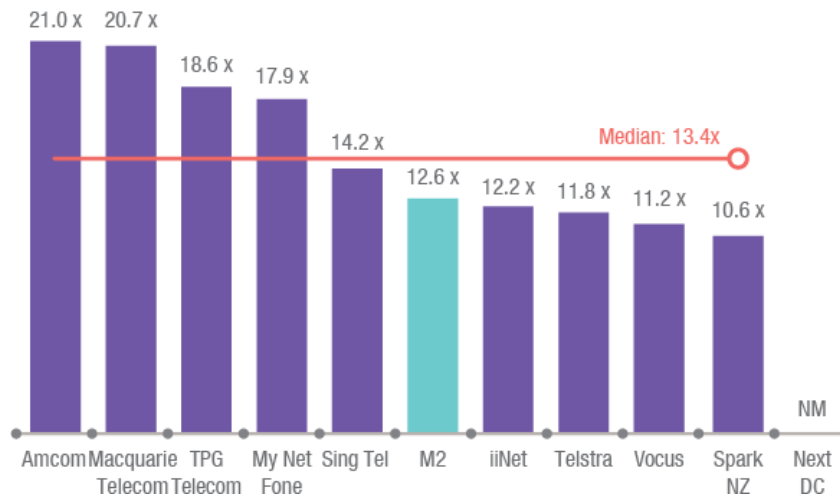
Sector Valuation – 6 May 2015

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FY16 EV / EBITDA



FY16 EV / (EBITDA - Capex)



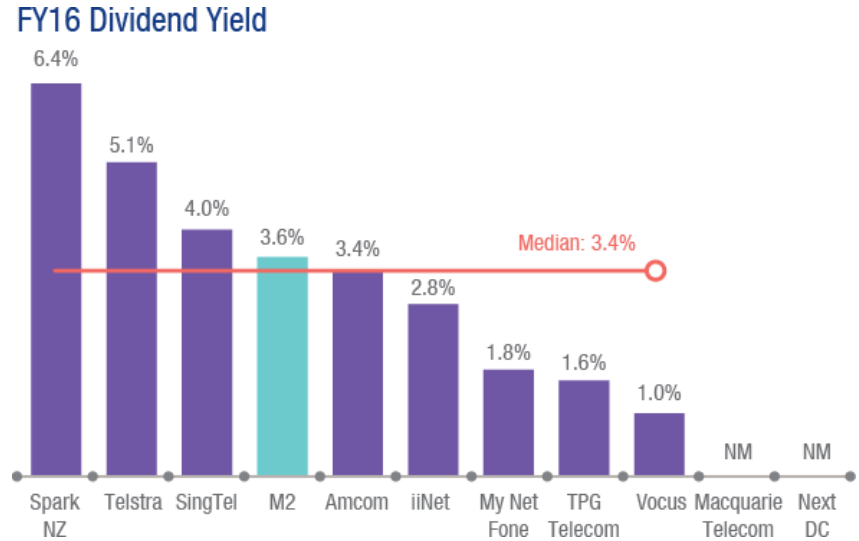
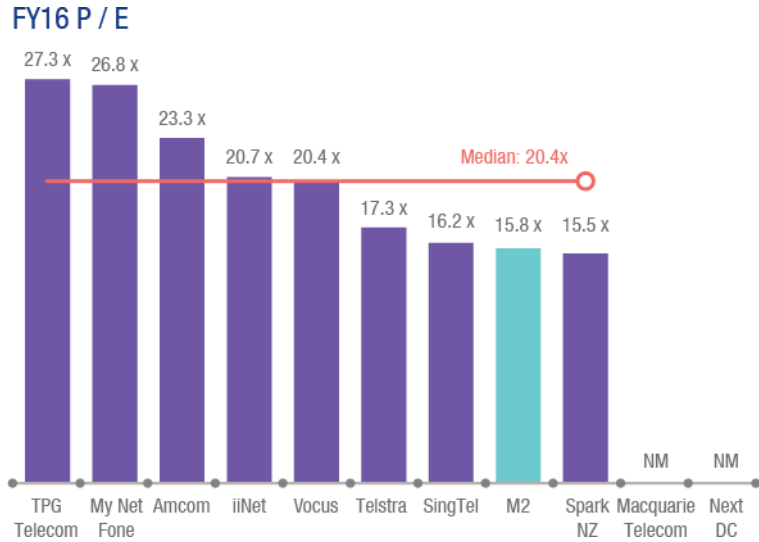
Source: Based on Thomson IBES broker consensus, company filings, market data current at 6-May-2015.

Net debt as reported at 31-Dec-2014, adjusted as follows:

1. Singtel: Adjusted to reflect the standalone business of SingTel excluding the market value of listed associate investments. Earnings are based on broker consensus.
2. Spark NZ: Cash adjusted for the sale of Telecom Rentals Limited for NZ\$106m and of Telecom New Zealand International for NZ\$22.4m in Apr-2015.
3. M2 Group: Debt adjusted for acquisition of Callplus and 2 Talk for \$245m in Apr-2015.
4. My Net Fone: Debt adjusted for the acquisition of Telecom New Zealand International for NZ\$22.4m in Apr-2015.

Sector Valuations cont'd – 6 May 2015

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Source: Based on Thomson IBES broker consensus, company filings, market data current at 6-May-2015.

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Outlook

Summary

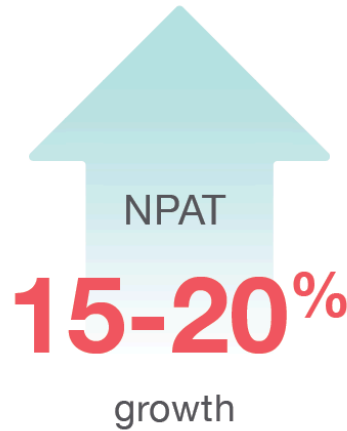
- M2 continuing strong organic growth trajectory
- Laser focus on operating efficiency
- Driving increased earnings per share
- Sales and marketing activities establishing foundations for long-term organic growth
- Expansion of New Zealand operations through acquisition of Call Plus Group expected to boost underlying FY16 EPS by 15% while increasing presence in NZ and adding additional sales channel
- Increasing returns to shareholders through organic and acquisitive growth

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FY15 Guidance

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Results in line with expectations to meet our FY15 guidance



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