

Macquarie Telecom Group delivers five successive years of profitable growth

Macquarie Telecom Group (ASX: MAQ) (the Company) today announced its results for the full year ended 30 June 2019 in line with guidance.

Chairman Peter James said, "We continue to invest in the megatrends of Hybrid IT, Cloud and Cyber Security for the benefit of all shareholders."

KEY POINTS

- Full year revenue increased 6% to \$246.6 million for FY2019 compared to \$233.6 million for the prior year.
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) of \$52.1 million for FY2019, an increase of \$4.3 million or 9% on the prior year and in line with guidance.
- Cash flow from Operating Activities of \$38.7 million. The company has a closing cash balance of \$17.1 million as at 30 June 2019 and an undrawn debt facility from a syndicate of banks of \$100 million
- Net profit after tax decreased 3% to \$16.5 million compared to a profit of \$17.0 million for the previous corresponding period due to increased depreciation.
- Capital expenditure for FY2019 was \$46.1 million (FY18: \$33.8 million) driven by growth Capex of \$14.8 million for: The Fortune 100 Customer Stage 3 and Data Hall 4 fit out, NBN migrations, Government Cloud and IC3 investment. In addition, customer related Capex was \$21.8 million and Maintenance Capex was \$9.5 million.

Chief Executive David Tudehope said "Macquarie's profitable growth has enabled us to invest across our four business units. The success of our private cloud and cyber security services underpins our Hosting revenue and profit growth."

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PRIORITIES IN FISCAL YEAR 2020

The Company's focus in fiscal year 2020:

- Focusing on customer experience to ensure a leading Net Promoter Score.
- 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 migrate thousands of customer's services to the nbn under the Company's six-year wholesale supply agreement with NBN Co. and leverage new data networking technology (SD WAN) for growth.

OUTLOOK

- The Company's EBITDA will continue to grow in FY20, however the 1H FY20 will be flat compared to 2H FY19 due to one-offs received in June 2019 and further investment in sales growth in our Hosting business.
- The company will look to add public cloud capability to our current hybrid offering.
- 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.
- A delay in planning and approval will see practical completion of IC3 East (part of the Macquarie Park Data Centre Campus) move out from 1H to 2H CY20. This delay will not affect the Company's ability to support our customers' current and future growth plans.
- Upon completion, the Macquarie Park Data Centre Campus will provide 43MW in total load, a significant increase on the current 10MW facility. The Company anticipates being able to provide a more detailed update as part of its commentary at the annual general meeting.
- The Telecom business migrated thousands of customer's services to the nbn in FY19 and this is expected to continue across FY20.

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- The Company plans to make a significant investment in growth and customer growth capex (excluding IC3) during FY20. Total capex, excluding IC3 East, is expected to be between \$51-\$54m consisting of:
 - Growth Capex - \$12 to \$13 million
 - Customer Growth Capex - \$24 to \$25 million
 - Maintenance Capex - \$15 to \$16 million
- Depreciation for the year is expected to be \$32 to \$34 million. Telecom depreciation will increase from \$11m in FY19 to \$12-13 million in FY20.
- Telecom Capex will increase from \$15.8m in FY19 to \$25-26m in FY20. The increase in capex can be attributed to both growth and customer capex projects in FY20 including the Telecom core network upgrade and a continued investment in new data networking technology SD WAN.
- As previously announced, during this significant capital-intensive growth investment phase, the Company has ceased paying dividends.
- An update on the Group's first half performance in fiscal year 2020 will be given at the Company's Annual General Meeting in late November.

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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

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