

ASX/Media Release

29 October 2019

The Manager
Company Announcements Office
Australian Securities Exchange
4th Floor
20 Bridge St
SYDNEY NSW 2000

ELECTRONIC LODGEMENT

Dear Sir/Madam,

2019 ANNUAL GENERAL MEETING SPEECHES

Vocus Group Limited (ASX: VOC) today holds its 2019 Annual General Meeting.

Please find attached the speeches of the Chairman and Group Managing Director and Chief Executive Officer, which will be delivered from 10am at the meeting.

As announced to the ASX on 24 October 2019, the meeting will also be webcast and can be accessed through the Company's website at www.vocusgroup.com.au/investors.

Yours faithfully,



Simon Lewin
Vocus Group Ltd
Company Secretary

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AGM Speeches

Chairman's Address 2019

Good morning Ladies and Gentlemen, my name is Bob Mansfield and I am Chairman of your company.

On behalf of the Vocus Board of Directors, I'd like to welcome our shareholders, employees and guests present today – thank you for attending.

I'd also like to welcome those listening to proceedings through our webcast facilities.

As a quorum is present, I declare the 2019 Vocus Annual General Meeting open. I propose to take the Notice of Meeting as read.

I will begin the meeting with my address, followed by our Chief Executive, Kevin Russell. We will then go through the formal proceedings as detailed in the Notice of Meeting and set out on the screen in front of you now.

I would like to start by introducing the company officeholders present today:

- Kevin Russell, Group Managing Director and CEO
- Our Non-Executive Directors:

- David Wiadrowski
- Julie Fahey
- John Ho
- Bruce Akhurst
- Matt Hanning
- And Executive Director Mark Callander, who is also our Chief Executive of New Zealand, and Chief Executive of Wholesale and International

Also with us is the majority of our Executive Team:

- Mark Wratten, Group CFO
- Simon Lewin, General Counsel & Company Secretary
- Ellie Sweeney, Chief Operating Officer
- Antony De Jong, Chief Executive – Business and Consumer
- And Amber Kristof, Head of People and Culture

Unfortunately, Andrew Wildblood, who is our Chief Executive, Enterprise and Government, is unable to join us today.

Our Auditor, Mark Dow from PwC, is also present.

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This is my second AGM as Chairman, and when I look back to last year's Meeting, it reminds me just how far we've come.

Vocus came into FY19 with a refreshed Board and a new CEO united in our resolve to unlock Vocus' potential after a period of upheaval.

The Board and Management's three key priorities for FY19 were to:

- get the right structure,
- the right people, and
- the right strategy in place,

to lay a solid foundation for long-term profitable growth.

I also outlined very clearly that this was a 3 year turnaround challenge and we are now approaching the half way mark – there is still a way to go to achieve all of our goals and we have been very clear on that in all our updates to the market.

Looking back on the year now, I'm pleased to say that Vocus has successfully addressed these initial priorities.

Before going any further, I would like to address the bids received earlier in the year from EQT and AGL, which did not proceed.

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I do want to emphasise that the company was not, and is not, for sale. We were approached by two highly credible parties, who made an indicative offer for the company at a level that the Board believed shareholders would want us to explore. In the end, neither transaction proceeded. The bidders decided that whilst our assets and the market opportunity were very attractive, they could not balance the execution risk at this relatively early stage of the turn around with integrating these assets into their own business models. That is the commercial reality.

Despite the outcome, I was pleased with the way we handled the process. We provided information and engaged with the bidders in a very professional and efficient manner, with minimal disruption to the business. And it does highlight that there is significant value and interest in the assets that we own.

However, receiving these bids did delay the process of recruiting a female Director to the Board. Due to the uncertainty, it was not sensible to continue discussions with potential Directors when it was unclear if there would even be a need for a Board. We have recommenced this process and there are currently a number of candidates being considered by the Nominations Committee.

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We're now four months into FY20 and in a strong position to deliver on our core market opportunity as Australia's specialist fibre and network solutions provider.

In our last report to shareholders, we said that the right leadership would be key to the success of the business.

Over the course of the year, Kevin has established a highly experienced executive leadership team and filled capability gaps across the business.

Resetting our culture was a consistent theme throughout FY19, and we have made great strides in building 'One Team' with shared values that underpin everything we do.

It was also a year which brought organisational clarity, providing a solid foundation for growth.

We established three discrete businesses in:

- Vocus Network Services
- Vocus Retail; and
- Vocus New Zealand

allowing each to operate autonomously with accountability and speed.

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When I spoke at last year's AGM I referred to our world-class network as the 'core' of the company.

Since then, we've made significant progress in our program to consolidate and modernise our networks and technology platforms, with significant cost reduction targets in the coming years.

FY19 also provided progress on our strategic fibre build strategy.

In line with our core market opportunity, we will continue to invest in strategic opportunities to expand our fibre network and build associated annuity revenues.

Only a couple of months ago I was with Kevin and Andrew Wildblood in the mining region of Western Australia where we've got some impressive assets, including the North-West Cable System connecting offshore oil and gas facilities.

It was an eye-opening trip for all of us, and that region will continue to be a strategic focus for our fibre builds in future.

The 2019 financial year was Vocus' first full year with Kevin Russell at the helm and I am delighted with progress made to date.

Before I hand over to Kevin to go into the detail of Vocus' performance for the year, I want to set the scene with some

personal perspectives on the broader industry environment Vocus is operating in today.

Our core business is Vocus Network Services, and we have the clear goal of being Australia's specialist fibre and networks solutions provider.

All of our discretionary capital is being allocated to meeting this goal.

We are an infrastructure company.

With my two decades' worth of personal history in this industry, prior to Vocus, as the first CEO of Optus and then Chair of Telstra, I have seen first-hand how private infrastructure investment has been fundamental to competition in this industry.

But if we continue in the current direction, we're heading towards a market which could be dominated by a nationalised fibre infrastructure provider.

As the operator of a major fibre network, Vocus has earned the right to call out a shift in the market which could be causing infrastructure investors to reconsider how they allocate their capital.

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Taking a long-term view, do we really want a market where we discourage infrastructure competition?

I raise this issue because Vocus is well-placed to grow our business in a market that has the right policy settings to promote investment.

I've been encouraged by recent statements from the Government that they view infrastructure competition as a positive thing.

It's a sentiment Vocus wholeheartedly endorses.

I emphasise again that this is not just a Vocus issue, this is an issue that affects the whole industry.

Now is the time for the government to clarify both the policy settings, and enforcement of those settings, that will give private investors certainty that they can build new infrastructure without worrying that it may be overbuilt and de-valued by a taxpayer-subsidised competitor.

I'll conclude my remarks by restating why we're here: To grow the value of this company and to deliver the highest return for our shareholders.

And to do that, we'll speak out in support of investment at every opportunity we have.

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I would now like to invite our Group Managing Director and CEO, Kevin Russell to speak about Vocus' performance in 2019.

CEO Speech

Thank you, Bob. Good morning everyone and thank you for joining us today, both in the room and on the webcast.

I am pleased to be presenting to you, our shareholders, following an important year for Vocus.

When I stood in front of you at last year's Annual General Meeting, I had only been at Vocus for 5 months and I was excited by the challenge and opportunity ahead for Vocus and ahead of me personally. Now, 17 months into the role, and with a far greater line of sight into the business, that excitement has evolved into belief and a sense of purpose.

As Bob mentioned, our key priorities for the year were to get the right structure, the right people, and the right strategy in place to lay a solid foundation for our three year turn around and for long-term profitable growth.

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Our core business is Vocus Network Services. This is where our strategic assets and our core value creation opportunity lies as Australia's specialist fibre and network solutions provider.

Vocus has a Tier 1 fibre and network asset in Australia and the opportunity to substantially grow market share, revenue and profit in the enterprise, government and wholesale markets.

At the same time, we have three reality checks to work through. We have not adequately integrated network systems, processes and cultures from prior acquisitions. We have not historically invested in people capability, partnerships, products, systems and strategies to deliver on that market opportunity. Finally, we have to absorb the impact of NBN, in the erosion of legacy voice revenues and fixed broadband margins in our Retail business.

So, while we have great growth opportunities at Vocus, we have a lot to work through. It's all doable, but it takes time, and that's why we talk about a three-year turnaround. This is a progressive three-year plan and 2019 was a critical year to get foundations in place.

Importantly, we delivered financial results for FY19 that were in line with our guidance. Group revenue was steady at \$1.9 billion, and underlying earnings before interest, tax, depreciation and amortisation were down 2% to \$360 million.

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As anticipated, growth in Vocus Network Services and Vocus New Zealand was offset by a revenue decline in Vocus Retail.

Despite the revenue decline in Retail, our digital program, operating cost efficiencies and improved supplier negotiations resulted in EBITDA margins in this business increasing by 1.8%. This is an excellent result on a lower revenue base.

New Zealand continued its steady performance, despite also facing competitive market conditions, delivering a 4.5% increase to revenues and an underlying EBITDA increase of 2.5%. In New Zealand, Mark Callander is diversifying revenues and increasing customer longevity through the bundling of energy and mobile in Consumer.

Separating into these three discrete business units, Vocus Network Services, Vocus Retail and Vocus New Zealand, has created much needed organisational and financial clarity.

Our executive team commenced major strategic resets in Vocus Network Services and Vocus Retail. Our three-year plans are clear, and our goals set and aligned. It sounds simple, but just getting these basics right is critical. We know what we have to do and what our priorities are. We did not 12 months ago.

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Key improvement plans are underway in service delivery, sales commission, account management, product roadmap and areas to reduce cost. We have had and have a lot to operationally improve on. My line of sight of cost within the business has greatly improved over the last 12 months. We now have a clearer view of where cost can be removed from the business, and where operational costs can be in two to three years.

We have made good progress on our Future State program, which will fundamentally change our customers' interaction with our services. Through consolidation and modernisation, the Future State Program will create a network that is designed for the customer and transform Vocus' operations and business costs and agility.

In a major step forward for this program, we announced yesterday the appointment of Arista Networks, Ciena's Blue Planet and DGIT Systems as key technology partners who share Vocus' drive for innovation and who will help us deliver market-leading experiences.

As we continue to build our identity as an infrastructure business, it is critical that we expand our fibre reach and associated annuity revenues. We have clarity on a number of strategic fibre builds which we will provide an update on as they progress.

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Vocus is the leader in construction of submarine cable in Australia today. We have a quality submarine asset in our 4,600km Australia Singapore Cable, which is performing well. The 4,700km Coral Sea Cable being built by Vocus on behalf of the Australian Government is on track and on budget and we are progressing the Solomon Islands domestic network build. Our Tiwi Islands cable, in partnership with and funded by the Northern Territory Government, is also progressing to schedule.

We and our competitors have spoken previously of the broader industry pressures in the consumer broadband market. The transition of services to the NBN leads to an inevitable decline of legacy fixed voice revenues and fixed broadband margins. This is a significant challenge across the industry.

To counter these headwinds and to diversify revenue sources, Antony De Jong is re-orienting our Retail business to complimentary higher-margin mobile and energy products.

The challenges of NBN in the consumer market have been well documented in recent years. However, in the past few weeks we have been more vocal about how NBN's behaviour in the Enterprise market is negatively impacting the environment for private infrastructure investors. I will reiterate these comments today for those of you who haven't seen the coverage.

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Vocus supports NBN's presence in the Enterprise market. Properly executed, it should improve competition in under-served areas; it should improve retail competition due to NBN's position as a wholesale-only, transparent and non-discriminatory provider; and it should support and encourage private investment.

When NBN entered the Enterprise market, these were the expectations we had at Vocus.

However, instead, what we are seeing is taxpayer funds being allocated to building fibre to areas that are already very well served by infrastructure previously built by private enterprise.

Further, we are seeing behaviour and communication from NBN that is inconsistent with their wholesale only mandate.

For the long-term health of the industry, infrastructure competition has to be encouraged, rather than penalised. We have called for clear leadership from the Government to deliver the right policy settings and market structure to bring that objective into reality.

It is in this environment that our business units are focussing on sustainable, profitable growth.

We are reiterating today our FY20 guidance of underlying EBITDA in the range of \$359-\$379 million. It is our expectation that EBITDA

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growth in Vocus Networks of \$20-\$30 million will be offset by a similar decline in the Retail business. We expect the second half performance to be stronger than the first half.

We announced last week that after helping to lead the business through an intensely challenging period for the last few years, our CFO Mark Wratten wishes to pursue new career opportunities.

In his place, we have appointed Nitesh Naidoo as CFO. Nitesh is a highly experienced telco executive who has led finance teams in global companies with significant operating scale for over 20 years. Nitesh will commence in January 2020, and to allow a smooth transition, Mark will leave the business at the end of February.

I'd like to take a moment to recognise the contribution Mark has made during a period of significant change. He has worked tirelessly to improve financial systems and reporting and driven financial discipline into the organisation. He has also played a key role in rebuilding trust and confidence in the company with key external stakeholders. On behalf of the Vocus team, I would like to thank Mark and wish him all the best in his future endeavours.

I highlighted at the last AGM that this is a 3 year turnaround and that FY19 would be a transition year for Vocus. We have entered FY20 with our plans and priorities clearly set out. We remain

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focussed on long-term, sustainable growth, supported by cost improvement opportunities.

It has been my pleasure to talk to you today about the foundations we have laid during the past 12 months. These achievements would not have been possible without our dedicated, hard-working team. Bob mentioned that we have made significant changes at senior levels in the organisation to improve skills and fill capability gaps. With the level of change that we have had, it does take time for people to settle in and to find their operational cadence. I am pleased that our people have embraced the opportunity and are focussed on our core value of being One Team. Our people will be the difference that sets Vocus apart from our competitors and I would like to extend my sincere thanks to all of them.

Finally, I would also like to thank our shareholders for your support during an important year and I look forward to presenting to you again next year.

I will now hand back to Bob to continue with the formal proceedings.

ENDS

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About Vocus: Vocus Group (ASX: VOC) is a vertically integrated telecommunications provider, operating in the Australian and New Zealand markets. The Company owns an extensive national infrastructure network of metro and back haul fibre connecting all capital cities and most regional centres across Australia and New Zealand. Vocus infrastructure now connects directly to more than 5,000 buildings. Vocus owns a portfolio of brands catering to corporate, small business, government and residential customers across Australia and New Zealand. Vocus also operates in the wholesale market providing high performance, high availability and highly scalable communications solutions which allow service providers to quickly and easily deploy new services for their own customer base.

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