

Macquarie Telecom Group delivers six successive years of profitable growth.

27 August 2020

Macquarie Telecom Group Ltd (ASX: MAQ) (the Company) today announced its results for the full year ended 30 June 2020, which is in line with guidance.

Chairman Peter James said, "The 2020 full year results have delivered six consecutive years of strong performance and EBITDA growth. These results are evidence of our track record of delivery and investment which will provide a long runway of significant growth opportunities."

Key Points.

- Full year revenue increased 8% to \$266.2 million compared to \$246.6 million for FY2019.
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) of \$65.2 million post AASB16, an increase of 25% from prior year.
- Conversion of EBITDA to operating cash flows generated total operating cash flows of \$45.9 million during the year, including payment of income tax.
- The Company has commenced work on the Intellicentre 3 East data centre development ("IC3"), drawing down \$48.0 million of the debt facility. At 30 June 2020, there is a closing cash balance of \$37.9 million and undrawn debt facilities of \$92.0 million.
- Net profit after tax (NPAT) of \$13.5 million post AASB16, a decrease of 17.5% on FY19 (\$16.5 million).
- Resilient during COVID-19 pandemic
- Capital expenditure for FY20 was \$65.9 million (FY19: \$45.8 million) driven by Growth Capex of \$14.8 million for: The Fortune 100 Customer Stage 3 and Data Hall 4 fit out, NBN migrations and investment in IC3 Macquarie Park and IC5 Bunker in Canberra. Customer related Capex was \$38.8 million reflective of our continued Hosting sales success and product mix. Maintenance Capex was \$12.3 million.
- The impact of AASB16 was to:
 - Increase EBITDA by \$8.0 million from \$57.2 million to \$65.2 million
 - Decrease net profit after tax by \$1.8 million from \$15.3 million to \$13.5 million

Chief Executive David Tudehope said, "The development of IC3 and IC5 Bunker will expand our Macquarie Data Centre's projected capacity from 14MW to 50MW enabling it to strongly compete for wholesale customers. The IC3 development further supports our commitment to our wholesale partners. The IC5 Bunker development will provide our Government customers with additional cyber security and cloud capacity. We anticipate strong growth given our experience in delivering to the Government sector leveraging our strict security certifications and the breadth of our Sovereign service offering."

"Our outstanding customer experience as measured by a Net Promotor Score of +72 has been even more important to our customers as they rely to a greater extent on telecom and cloud services as their staff are predominantly working from home as a result of Covid-19", said David Tudehope.

OUTLOOK

- Maintain industry leading Net Promoter Score greater than +70 across all business segments.
- The Company's EBITDA will continue to grow in FY21. However, 2HFY21 will be relatively flat compared to 1HFY21 driven by investment in sales and operational resources to support continued growth.
- There are ongoing opportunities in the Telecom business as customers look to strengthen online footprints and their customer facing options through demand for new technologies, including SDWAN and business nbn™.
- We will continue to develop public cloud capability to enhance the current hybrid cloud offering.
- Continued demand from Federal Government Agencies gives great confidence for future growth in the Government Business. The further investments to expand capacity in IC5 Bunker in Canberra will provide capability and scope to meet this demand.
- Depreciation and amortisation (post AASB16) for FY21 is expected to be \$45 to \$48 million. Telecom depreciation will increase from \$15.3 million in FY20 to \$17 to \$18 million in FY21 and Hosting from \$26.0 million in FY20 to \$28 to \$30 million in FY21.
- The Company plans to make a significant investment in growth and customer growth capex during FY21. Total capex is expected to be between \$140-\$148 million consisting of:
 - Growth Capex - \$100 to \$104 million (including \$83 to \$85 million for IC3))
 - Customer Growth - \$22 to \$24 million
 - Maintenance Capex - \$18 to \$20 million
- Telecom Capex will decrease from \$22.8 million FY20 to \$15 to \$16 million in FY21 as the core network rollout is completed (growth capex)
- The Macquarie Park Data Centre Campus will provide 43MW in total load on completion. Development of Macquarie Intellicentre 3 (IC3) East expands the Group's data centre capacity from a total load of 10MW to 28MW and is progressing to plan. The campus is designed to meet the growing needs of global hyperscalers and cloud, enterprise and government customers.
- As announced in June, to improve investor visibility of the value being created, Macquarie Data Centres will be reported as a separate segment from 1 July 2020.

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Authorised for release by the board of directors of Macquarie Telecom Group Limited

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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.

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