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Full Year Results.





















2020.

27 August 2020

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

2 Business Summary.

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Business Areas				
Percentage of Revenue and EBITDA in FY20	 <p>Revenue: 53% EBITDA: 31%</p>		 <p>Revenue: 47% EBITDA: 69%</p>	
What we do	For business customers, we are the full service provider of data, voice, mobile & colocation services. We are the telecom that does everything refreshingly different. We are where the Macquarie story started.	For business customers, we are the specialists in hybrid IT. We integrate colocation, cloud & dedicated servers. Different applications need different types of hosting. We manage it.	We are the Australian specialists in cyber security, secure cloud & colocation for Federal Government. We deliver services to 42% of Federal Government agencies.	We are developers & operators of data centres for wholesale customers including underpinning our three internal BUs' colocation services.
Value proposition	Customer Service, Price, Choice, Flexibility, Control	Customer Service, Specialised and Compliant Hosting. For apps not suitable for Public Cloud	Customer Service, Security Operations Centre (SOC), Cyber Security, ASD-Certified Cloud, Data Centre in Canberra	Customer Service, Commercial and Design Flexibility, Physically Secure for Federal Government, Highly Certified, Local and Data Sovereignty, Proven track record
Competitors	  	   	  	   
People / Skill	Generalist for Voice & Mobiles Technical Consultant for Data & Colo know Business Drivers	Cloud Specialists: Custom and Compliant	Cyber Security and Hosting Specialist know Government Drivers	Australian Data Centre Specialists

3 Key Business Highlights.

Revenue

\$266.2m

EBITDA

\$65.2m

NPAT

\$13.5m

EPS

63.6 ps

- Six consecutive years of revenue and EBITDA growth
- EBITDA CAGR of 16.8% over 3 years (pre-AASB16 9.5%)
- Resilient during COVID-19 pandemic
- Strong growth in Cloud and Government business units
- Agreement with ATO to provide Secure Internet Gateway (SIG) and cyber security services
- Construction of Intellicentre 3 East (IC3 East) is advanced and on track to accept sales from late 2020
- Increased syndicated debt facility to fund the build of IC3 data centre and undrawn balance of \$92m
- Hosting revenue continued to grow on the back of strong sales and order implementation
- Telecom continue to build fibre networks and migrate services to the nbn in line with plan
- Primary focus on customer service with an ASX leading net promoter score of +72
- NPAT reduced by higher depreciation from capex investment driving future growth

Macquarie Telecom

- #1 in Asia Pacific for SDWAN
- 2/3 of Macquarie customers successfully migrated to NBN
- Strong cross sell of Cloud Services solutions into Telecom's customers
- Launch of SIP Voice for Teams

Macquarie Cloud Services

- Continues to grow successfully leveraging the Hybrid IT megatrend
- Managed Azure Practice, a pathway to public cloud
- 2019 Dell EMC Rising Star award
- 2020 Great Place To Work for 2nd consecutive year in top 20

Business Highlights Summary.

Macquarie Government

- 42% of Australian Government agencies
- ASD certified cloud for classified / protected workloads
- ATO cyber security contract, \$20m over the initial 3 year term
- Upgrades to Government Secure Internet Gateway, across our data centres

Macquarie Data Centres

- Construction of IC3 East on track
- Macquarie Park Data Centre Campus expansion to 43 MW
- Canberra DC development of IC5 on track
- 2H FY20 includes full year impact of Stage 3 of Fortune 100 customer
- Significant demand from hyperscale customers

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A Differentiated Offering.

6 Company purpose.

To make a difference in markets that are underserved and overcharged.

+72NPS

Customer focus.

- Our continued focus on providing a great customer experience is core to our service offering & differentiation
- Macquarie's net promoter score (NPS) is 72 for 2H20 – Australian leading NPS
- NPS is the measure of customer experience that is assessed on a scale of -100 to +100, where a score of greater than +50 is excellent
- NPS is calculated on the single question "how likely is it that you would recommend our company to a friend or colleague?"
- Growth in our NPS is good for our investors

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Quality Infrastructure.



Data Centre Portfolio.



Intellicentre 1
Sydney



Intellicentre 2
Macquarie Park



Intellicentre 3 East
Macquarie Park



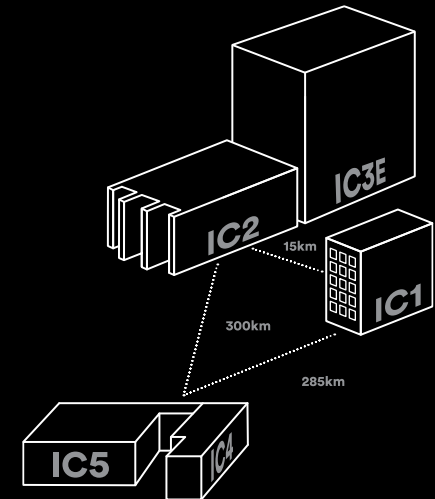
Intellicentre 4 Bunker,
Canberra



Intellicentre 5 South
Bunker, Canberra

Macquarie Data Centre's projected total load is **50MW** comprising of

- Macquarie Park Data Centre Campus 43MW: IC2, IC3 East and IC3 West;
- Macquarie Canberra Data Centre Campus 4MW: IC4 and IC5;
- Existing IC1 in Sydney CBD 3MW



IC3 East Progress.

IC3 East build is progressing well and we continue to expect completion in early 2021.

To meet the needs of prospective wholesale customers we have decided to:

- Bring forward additional total load of 4MW in IC3 East to increase capacity to 6.4MW;
- Increase the overall IC3 East capacity to 18MW; and
- Review options to expand Campus capacity



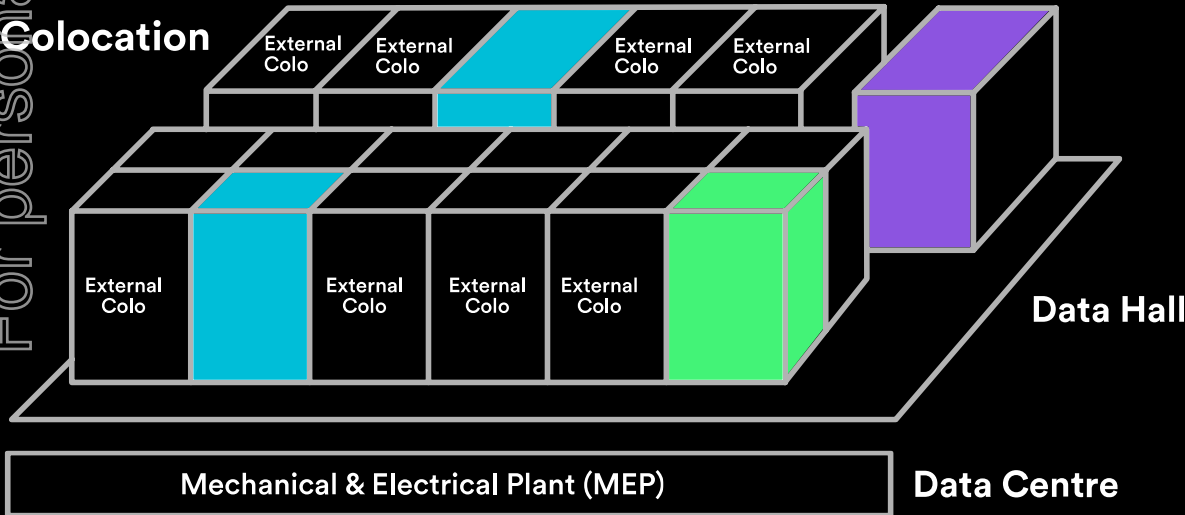
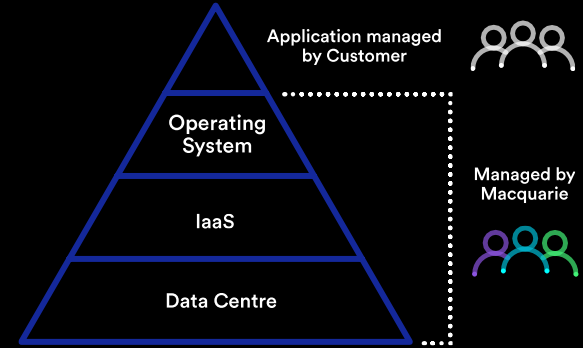
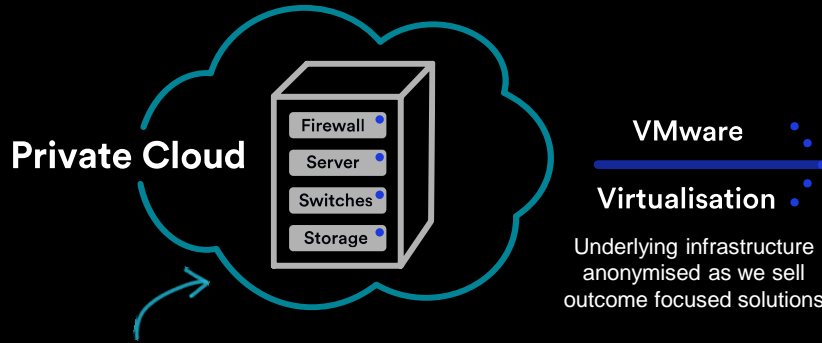
IC5 South Bunker Canberra.

- Construction due to complete by December 2020
- Built to Federal Government security standards (SCEC Zone 5 ready) and redundancy (Tier IV)
- Stage 1 investment of \$17m
- Campus Total Load 4MW comprising:
 - Existing IC4 Bunker 1MW
 - IC5 South Bunker (Stage 1) 1.5MW
 - IC5 North Bunker (Stage 2) 1.5MW
 - Plus additional capacity to expand
- Australian Sovereign data centres to support expected growth in Federal Government business



Our private cloud is a key source of data centre utilisation and generates higher revenue per rack.

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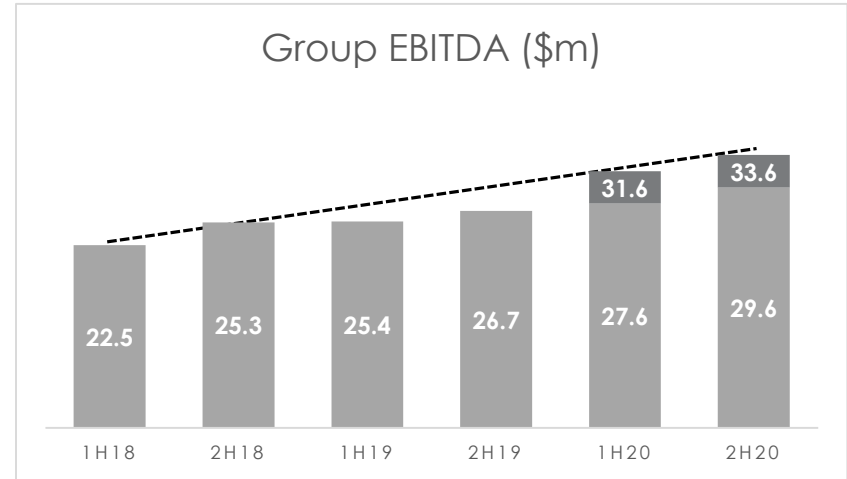
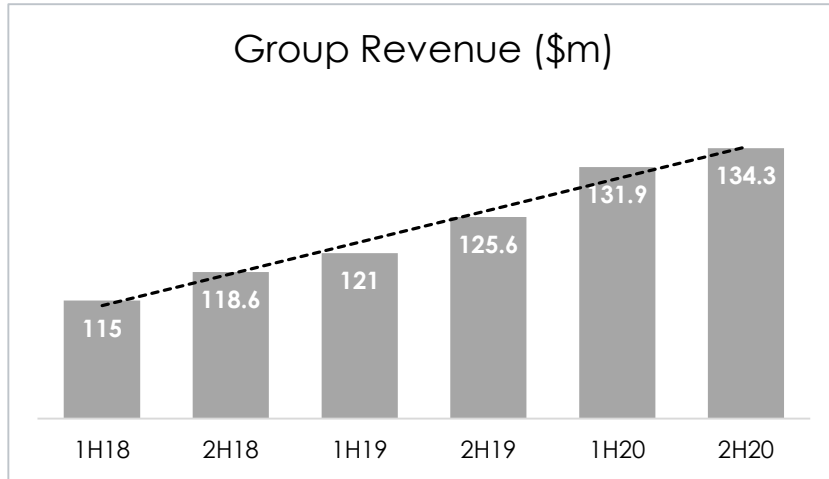
Financials.

Financial Results.

\$m	FY19	FY20 (Pre AASB16)	FY20 v FY19 (pre AASB16)	% pre AASB16	FY20 (Post AASB16)	Impact of AASB16
Total Revenue						
Telecom	140.8	141.1	0.3	0.2%	141.1	0.0
Hosting	110.6	130.3	19.7	17.8%	130.3	0.0
Inter-Segment	(4.8)	(5.2)	(0.4)	8.7%	(5.2)	0.0
Total Revenue	246.6	266.2	19.6	8.0%	266.2	0.0
EBITDA						
Telecom	19.9	18.7	(1.2)	-6.0%	20.2	1.5
Hosting	32.2	38.5	6.3	19.6%	45.0	6.5
Total EBITDA	52.1	57.2	5.1	9.7%	65.2	8.0
Depreciation & Amortisation	(28.6)	(34.7)	(6.1)	21.3%	(41.4)	(6.7)
EBIT	23.5	22.5	(1.0)	-4.2%	23.8	1.3
Interest	(0.1)	(0.9)	(0.8)	806%	(4.4)	(3.5)
NPBT	23.4	21.6	(1.8)	-7.6%	19.4	(2.2)
Tax	(6.9)	(6.3)	0.6	-8.7%	(5.9)	0.4
NPAT	16.5	15.3	(1.2)	-7.3%	13.5	(1.8)

- Inter-segment revenue relates to services provided by the Hosting segment to the Telecom segment, eliminated on consolidation
- EBITDA post AASB16 has increased by \$8.0m as rent is excluded under AASB16. Instead lease obligations are recognised on the balance sheet as right of use assets and lease liabilities. This results in \$6.7m of depreciation of the right of use asset and \$3.5m interest from the lease liability that is recognised outside of EBITDA. The impact to NPAT is (\$1.8)m.

Group Financial Performance.

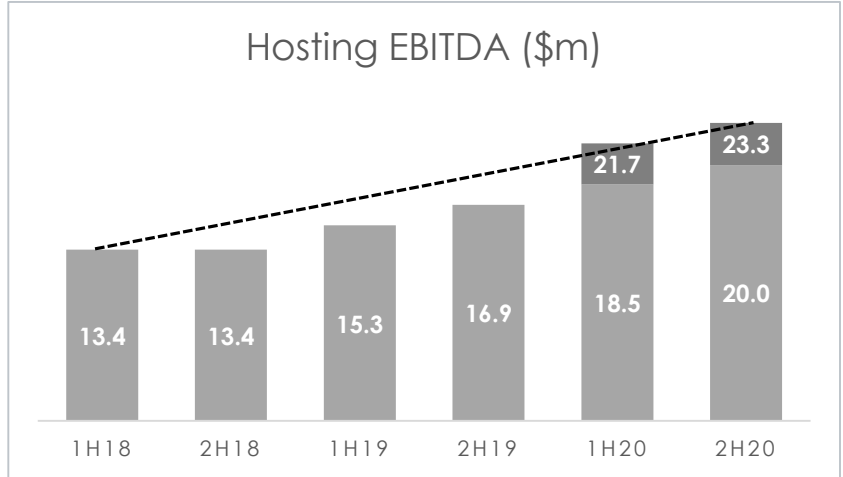
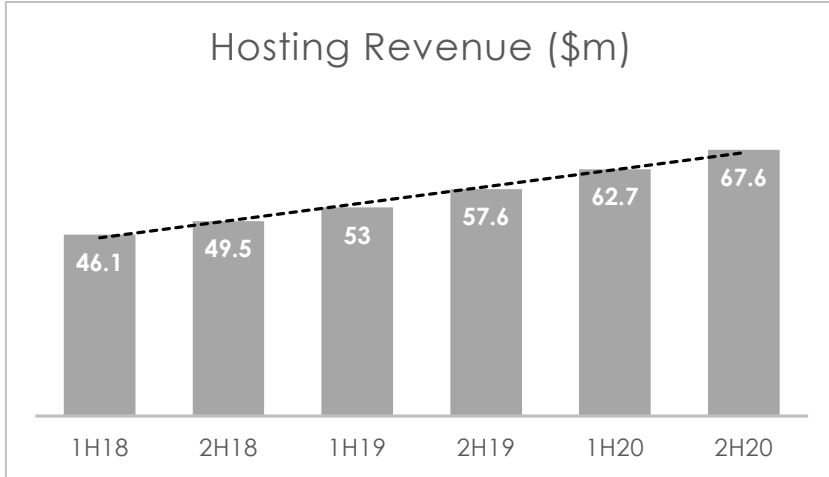


- Over the last 3 years:
 - Revenue CAGR of 6.8%
 - EBITDA CAGR of 16.8% (excluding AASB16, 9.5%)
 - EBITDA margin 24.5% (excluding AASB16, 21.5%)
- Impact of AASB16 increases EBITDA by \$8.0m (as per graph)

COVID-19 Impact

- Performance has been resilient to the external business and economic pressures arising from the measures to control the COVID-19 pandemic
- No government subsidies or other incentives received as a result of COVID-19

Financial Performance – Hosting.

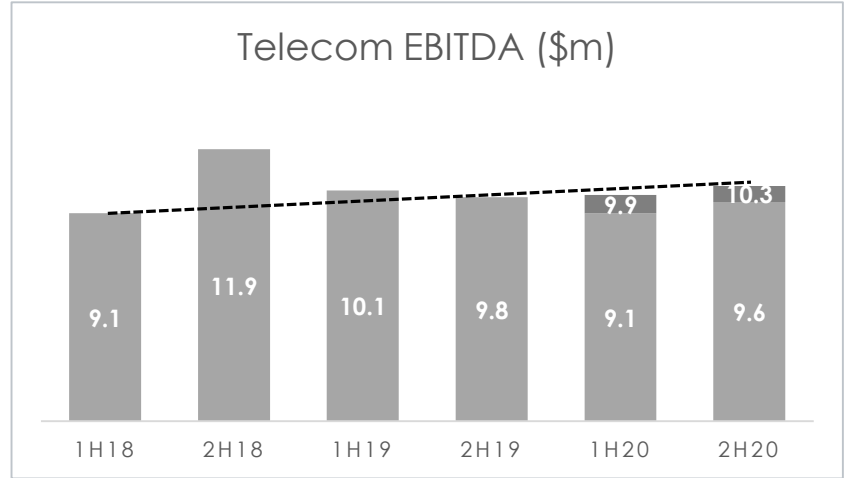
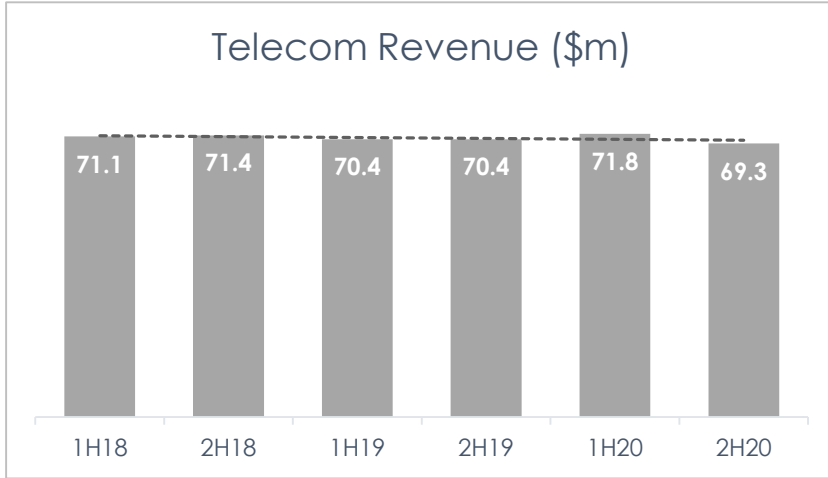


- Over the last 3 years:
 - Revenue CAGR of 16.8%
 - EBITDA CAGR of 29.6% (excluding AASB16 19.4%)
 - EBITDA margin of 34.5% (excluding AASB16, 29.3%)
- Highly leveraged business with improving margins as infrastructure utilisation increases
- Strong Government cyber security growth and Cloud growth
- Impact of AASB16 increases EBITDA by \$6.5m (as per graph)

COVID-19 Impact

- Acceleration of mega trend to cloud and data centres as well as cyber-security resulting in strong sales by Government and Cloud Services
- Additional bandwidth for staff working from home
- Focus on business continuity including cloud backup and cyber security
- Strong growth in Hyperscale procurement activity and shift in online collaboration, connectivity, purchasing behaviour across all demographics

Financial Performance – Telecom



- Over the last 3 years:
 - Revenue CAGR of (0.5)%
 - EBITDA CAGR of (1.9)% (excluding AASB16 (5.6%))
- Telecom EBITDA margin of 14.3% (excluding AASB16 13.3%)
- Significant investment to facilitate migration to the nbn
- Impact of AASB16 increases EBITDA by \$1.5m (as per graph)

COVID-19 Impact

- Change in mix in Telecom products from higher margin fixed voice to lower margin mobile due to WFH customer workforce activity
- Focus on cost base to meet the change in product mix and activity

Growth Capex.

- **Growth Capex** is for the building of new data centre capacity, increased power supply, new technology creation & transformational investment
- In the Hosting business, a current example is the Secure Internet Gateway services for the ATO
- In the Telecom business, a current example is investment in SDWAN and nbn migrations
- IC3 spend not included in growth capex
- **Growth Capex** was \$14.8m in FY20 (ex IC3)

Customer Growth Capex.

- **Customer Growth Capex** is for additional cabling, racks, servers & storage that enable us to provision new customer orders
- **Customer Growth Capex** was \$38.8m in FY20 reflective of our data centre sales success & product mix

Maintenance Capex.

- Most of the remaining Capex is infrastructure refresh and internal software development known as **Maintenance Capex**
- **Maintenance Capex** was \$12.3m for FY20

18 Balance Sheet & Cash Flows.

- Cash and cash equivalents of \$37.9m. Negotiated increase to syndicated debt facility with undrawn portion of \$92m available for investment and build of IC3 & IC5 data centres
- FY20 capital spend of \$65.9m ex IC3
 - Growth Capex \$14.8m
 - Customer Growth Capex \$38.8m
 - Maintenance Capex \$12.3m
- IC3 building development expenditure is either classified as Other Receivables for the core & shell or as WIP. Upon practical completion Other Receivables will form part of the development agreement with Keppel
- Key impact of AASB16 has been to:
 - recognise \$76.1m of Right-of-use assets (non-current) offset by \$75.8m of lease liabilities on the balance sheet at 30 June 2020
 - \$7.9m of interest and lease payments in financing activities in the cash flow (with nil cash impact)

\$m	FY19	FY20 (Pre AASB16)	FY20 (Post AASB16)
Cash & Cash Equivalents	17.1	37.9	37.9
Current Assets	29.5	44.5	44.0
Non Current Assets	114.7	165.9	242.4
Total Assets	161.3	248.3	324.3
Creditors	34.1	57.4	57.4
Other Liabilities	20.4	67.0	144.8
Total Liabilities	54.5	124.4	202.2
Total Equity	106.8	123.9	122.1

\$m	FY19	FY20 (Pre AASB16)	FY20 (Post AASB16)
Cash Flows from Operating Activities	38.6	38.0	45.9
Cash Flows from Investing Activities	(45.8)	(64.1)	(64.1)
Cash Flows from Financing Activities	(6.1)	47.0	39.1
Net increase /(decrease) in cash	(13.3)	20.8	20.8
Opening Cash and Cash Equivalents	30.3	17.1	17.1
Closing Cash and Cash Equivalents	17.1	37.9	37.9

Outlook.

- We are focused on maintaining industry leading Net Promoter Score greater than +70 across all business segments
- The Company's EBITDA will continue to grow in FY21. However, 2H FY21 will be relatively flat compared to 1H FY21 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

Outlook.

- 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 to \$148 million consisting of:
 - Growth Capex - \$100 to \$104 million (including \$82 to \$85 million for IC3)
 - Customer Growth - \$22 to \$24 million
 - Maintenance Capex - \$18 to \$20 million

Outlook.

- Telecom capex will decrease from \$22.8m in FY20 to \$15 to \$16m in FY21 as the core network roll out 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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