FY19 FINANCIAL RESULTS

22 August 2019

VOCUSGROUP

AUSTRALIA'S SPECIALIST FIBRE AND NETWORK SOLUTIONS PROVIDER
CONNECTING ALL MAINLAND CAPITALS WITH ASIA

FOUNDATIONAL YEAR OF 3 YEAR TURNAROUND

A year of significant change but turnaround foundations firmly established

- Organisational clarity – vision and operating structure
- Reset of culture and values
- New leadership team and capability hired and settled
- 3 year operating plan and goals resetting Vocus Network Services and Retail strategies
- Key improvement programs in Vocus Network Services, including cost out, are underway
- Technology program to consolidate, modernise and eliminate legacy underway
- Active engagement on 5 year pipeline of strategic fibre builds

FY19 results highlights

- Financial stability in a year of significant strategic and operational change and NBN
- FY19 guidance hit
- Cash conversion strong at 100%
- Improving debt and NLR profile (post significant capex for ASC)

FY19 FINANCIAL PERFORMANCE

GROUP FINANCIAL SUMMARY

A$m	FY19 Reported	FY18 Adjusted	% change
Revenue	1,892.3	1,884.7	+0.4%
Underlying EBITDA (ex share-based payments)	360.1	366.7	-2%
EBITDA Margin %	19.0%	19.5%	-50bps
Underlying NPAT(1)	105.5	127.6	-17%
Cash Conversion(2)	100%	88%	+12%
Capex (exc. ASC)	169.3	166.1	2%
Net Leverage Ratio	2.9x	2.7x	N/A

- Underlying EBITDA excludes share-based payments ($6.4m in FY19 and $0.6m in FY18)
  - Earnings guidance will be issued on this basis
- FY19 revenues flat – growth in Vocus Networks Services[3] (VNS) and New Zealand offset by declines in Retail[4]
- Underlying EBITDA down 2%
  - VNS growth at lower margin due to one off project revenue and Wholesale NBN
  - Strong cost reduction in Retail improved EBITDA margin %, despite declining revenue
  - Investment in people and capability
- Higher D&A and increased finance costs impact Underlying NPAT
- Cash conversion of 100% (assisted by upfront receipts for IRU on Australia Singapore Cable)
- Capex managed tightly. Focus on fibre, digital enablement and network consolidation and capacity
- Net Leverage Ratio of 2.87x EBITDA (vs. covenant of 3.5x)
- Net debt of $1,034m

1. Refer to Appendix and OFR for a reconciliation from Underlying EBITDA to Underlying NPAT
2. Cash conversion % is calculated by dividing Adjusted Operating Cashflow by Underlying EBITDA. Refer to OFR for detailed cashflow table
3. Vocus Network Services (VNS) formerly known as Enterprise, Government and Wholesale (EG&W)
4. Retail is combination of Consumer (Dodo, iPrimus) and Business (Commander)

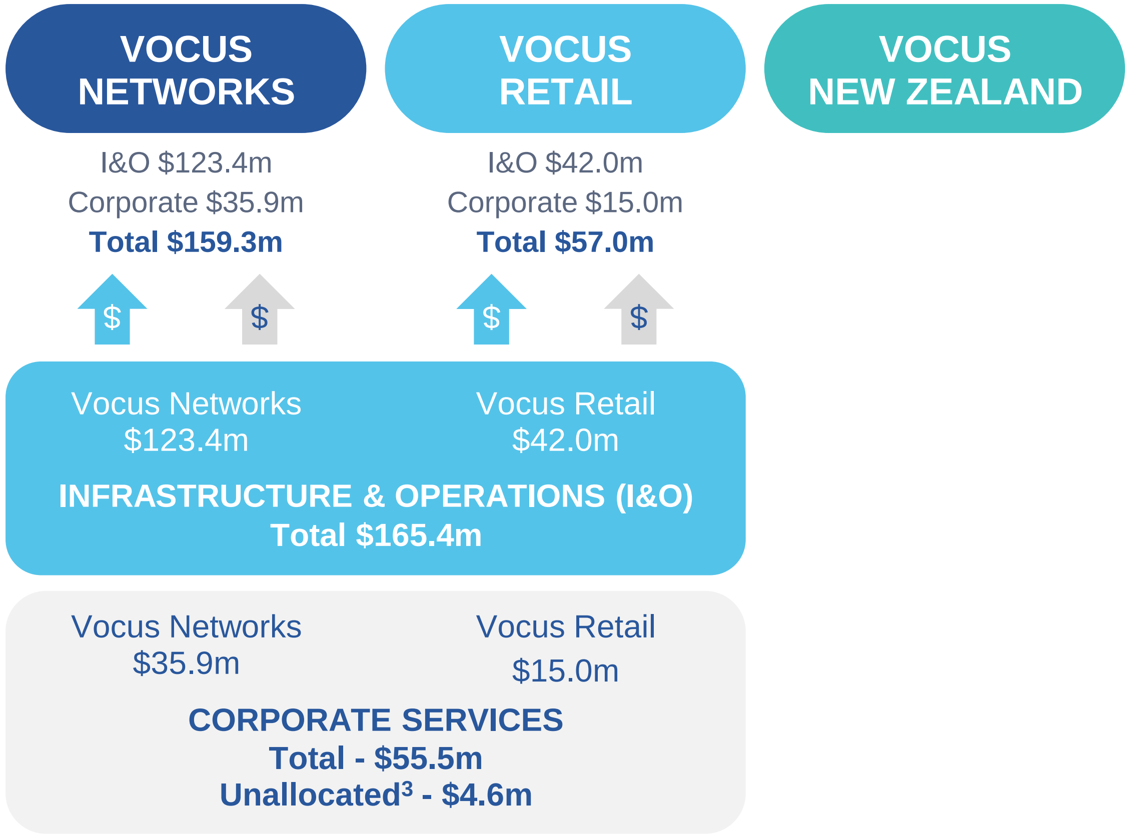
ALLOCATION OF INFRASTRUCTURE AND OPERATIONS AND CORPORATE COSTS

A$m	FY19[1]	FY18[1]	$ change	% change
Infrastructure and Operations (I&O)	(165.4)	(149.0)	(16.4)	11%
Corporate[2]	(55.5)	(56.8)	1.3	(2%)
Total	**(220.9)**	**(205.8)**	**(15.1)**	**7%**

- Allocation of Infrastructure and Operations and Corporate costs to give a full measure of underlying performance
- Infrastructure and Operations – fully allocated
  - Australian network and technology costs, service delivery
  - FY19 increase due to investment in people, capability and product
- Corporate – partially allocated
  - Australian shared services costs – finance, legal, facilities, HR, CoSec
- No charge yet made to Retail for use of Vocus owned network assets
- No allocation to New Zealand as it operates independently of the Australian network and corporate functions

1. Due to changes in the operating structure in FY19, the FY18 and H1FY19 divisional comparable is restated. See appendix for details
2. Corporate costs exclude share-based payment expense of $6.4m in FY19 and $0.6m in FY18, as they are not included in the calculation of Underlying EBITDA
3. Unallocated costs are CEO and Board costs

FY19 COST ALLOCATIONS



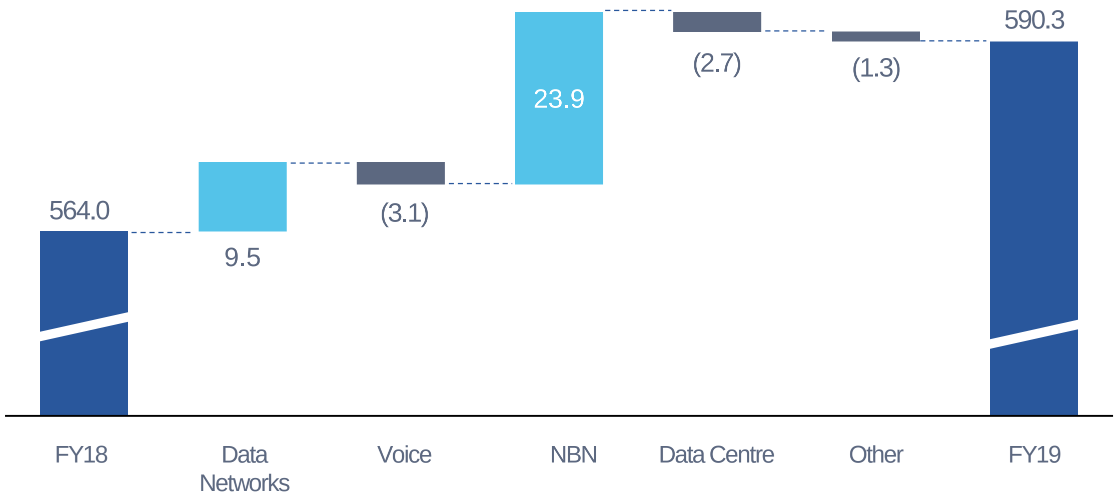
GROWING RECURRING REVENUE IN VOCUS NETWORK SERVICES

A$m	FY19[1]	FY18[1]	$ change	% change
Revenue	**710.0**	**575.8**	**134.2**	**23%**
Recurring	590.3	564.0	26.3	5%
Non recurring	119.7	11.8	107.9	NM

- Recurring revenues up 5% on pcp
  - Australia Singapore Cable (ASC) generating strong sales and pull through on domestic network
  - Strong growth in Federal and State government business
  - Enterprise strengthening in H2 – focus on retention, product development, higher value transactions
  - Strong growth in Wholesale NBN SIOs and revenues
- Improving sales offset by
  - Material one off churn event c.$10m (VHA contract)
  - Erosion of legacy voice and data revenue
  - Higher churn and price erosion in Enterprise due to underinvestment in product innovation and account management

1. Due to changes in the operating structure in FY19, the FY18 and H1FY19 divisional comparable is restated. See appendix for details.

FY19 RECURRING REVENUE



- Investing in service delivery
  - Manual provisioning processes on multiple networks means higher cost to serve
  - Projects under way to improve delivery and automated provisioning
- Non recurring revenue
  - Predominantly related to construction of Coral Sea Cable system due to be completed by end 2019

VOCUS NETWORK SERVICES, AFTER COST ALLOCATION, IS MAJORITY OF VOCUS GROUP EBITDA

A$m	FY19[1]	FY18[1]	$ change	% change
Underlying EBITDA (pre allocation)	**362.1**	**344.7**	**17.4**	**5%**
EBITDA Margin %	51.0%	59.9%	N/A	-9%
Allocated Costs	**(159.3)**			
Infrastructure and Operations (I&O)	(123.4)	N/A		
Corporate	(35.9)	N/A		
Underlying EBITDA (post allocation)	**202.8**			
EBITDA Margin %	28.6%			
% of Group EBITDA (post allocation)	56%			

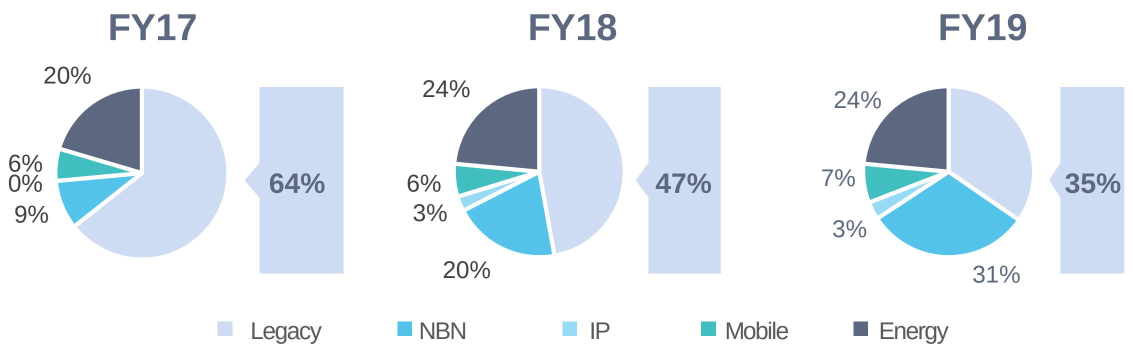
- EBITDA margin % on recurring revenue (excl Wholesale NBN) consistent with prior year
- Lower EBITDA margins % due to revenue mix
  - Coral Sea Cable is a construction project with lower margins
  - Lower margin Wholesale NBN growth
- Investment in key resources (people, commissions, capability and product) has impacted EBITDA result
- No charge yet made to Retail for use of Vocus owned network assets

1. Due to changes in the operating structure in FY19, the FY18 and H1FY19 divisional comparable is restated. See appendix for details.

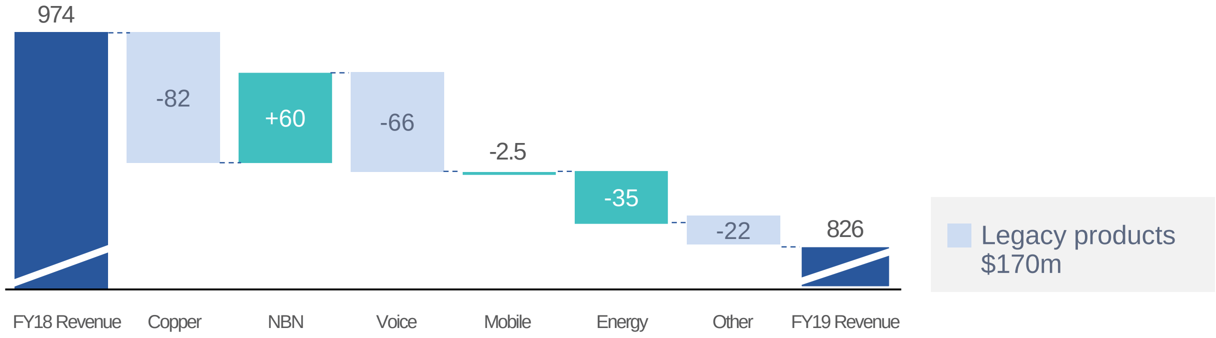
RETAIL

Headwinds of legacy revenue reducing

LEGACY PRODUCTS DECLINING CONTRIBUTION TO REVENUE



RETAIL REVENUE



- Legacy products (Copper Broadband, PSTN Voice, discontinued products) declining in importance over time
  - Revenue from legacy products comprises 35% of FY19 revenue, down from 64% in FY17
  - ADSL Broadband - migrate to NBN
  - PSTN Voice – NBN rollout enables line consolidation and VOIP, switch to mobile
- NBN growth from transitioning existing ADSL subscribers to NBN
  - Partially offsets decline in ADSL Broadband
  - NBN price increases implemented
  - Focus on profitable growth in NBN led to slightly higher churn
- Energy revenue lower due to SIO decline, as well as lower average electricity usage per customer
- Mobile revenue is flat
  - Renegotiated Optus MVNO has path to 5G
  - Growth in services offset by ceasing sale of mobile handsets and launch of new, lower priced, SIM only plans

RETAIL

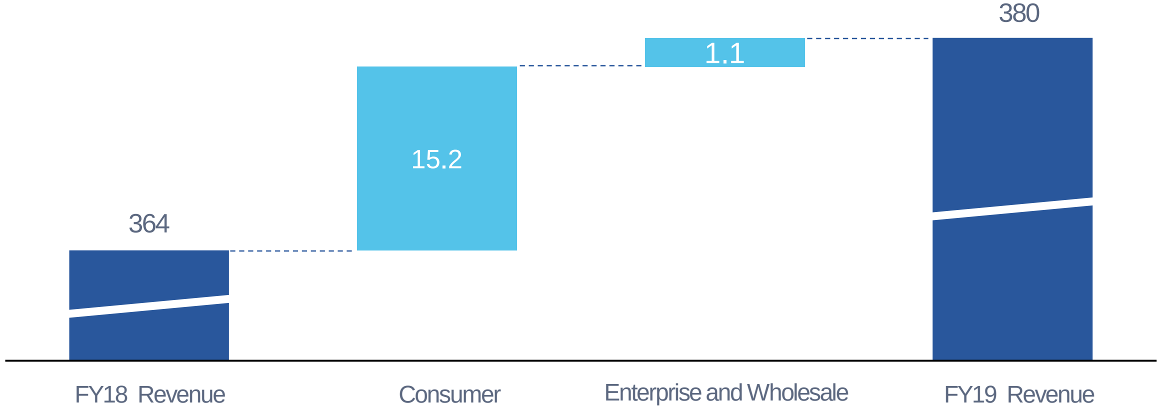
Strong cost reduction drives EBITDA margin expansion

A$m	FY19	FY18	$ change	% change
Underlying EBITDA (pre allocation)	**159.9**	**171.2**	**(11.3)**	**7%**
EBITDA Margin %	19.1%	17.3%	N/A	1.8%
Allocated Costs	**(57.0)**			
Infrastructure and Operations (I&O)	(42.0)	N/A		
Corporate	(15.0)	N/A		
Underlying EBITDA (post allocation)	**102.9**			
EBITDA Margin %	12.5%			
% of Group EBITDA (post allocation)	28%			

- EBITDA margin % expansion despite continuing impact of
  - Decline of PSTN Voice
  - Transition to lower margin NBN products
- Energy volume decrease offset by hedging position
- Mobile margins increased as a result of new MVNO deal with Optus
- Strong SG&A reduction
  - Internal restructure
  - Offshore headcount reduced by ~20%
  - Increased focus on digitisation and automation for sales and service
  - Implemented labour and marketing efficiencies
- Allocation of Infrastructure and Operations costs ($42m)
  - Third party network access
  - Operating Support Systems (OSS), including security and maintenance costs
- Allocation of Corporate costs ($15m)
  - Directly attributable costs - office costs and warehouse costs
  - Indirectly allocated costs – finance, legal, facilities, HR, CoSec
- No charge yet made to Retail for use of Vocus owned network assets

NEW ZEALAND[1]
Performing strongly

REVENUE BRIDGE (NZ$M)



NZ$m	FY19	FY18	$ change	% change
Revenue	**379.8**	**363.5**	**+16.3**	**+4.5%**
EBITDA	62.9	61.3	+1.6	+2.5%
EBITDA Margin %	16.5%	16.9%	N/A	N/A
% of Group EBITDA (post allocation)	16%			

Revenue growth – up $16.3m (+4.5%) to $379.8m

- Consumer up $15.2m (+8%) to $198.7m
  - Increase in fibre customers through new growth and migration
  - Improvements in customer churn driving higher lifetime value
  - Attachment of energy and mobile services through bundling
- Enterprise and Wholesale (+1%) to $181.1m
  - Growth in network services in Wholesale market segment
  - Voice growth in the medium enterprise market through 2talk
  - Decline in enterprise data and voice through channel partners

EBITDA +2.5% to $62.9m

- Strong operating performance and revenue growth achieved with an increased focus on higher value customers and bundled services
- Reduction in headcount and costs achieved through continued investment in digital customer experience lowering the cost to serve
- Margins in core telecommunication services have been maintained, but strong growth in energy changing the product mix margins

1. All amounts are disclosed in New Zealand dollars.

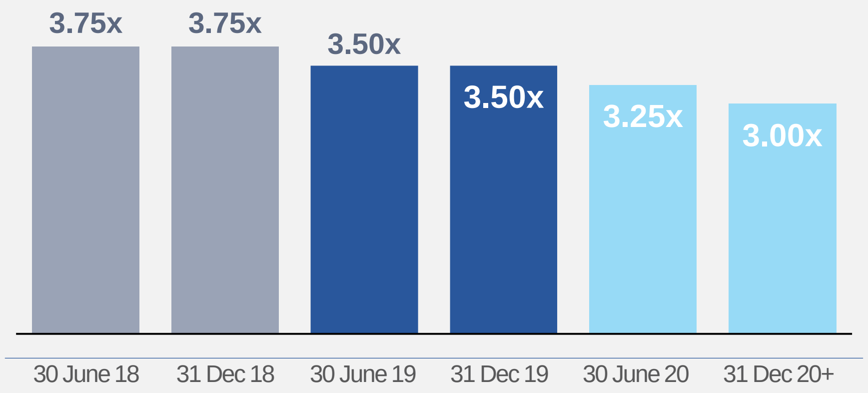
STRONG CASH GENERATION DRIVES IMPROVING NET LEVERAGE RATIO

A$m	30 Jun 19	31 Dec 18	30 Jun 18
Borrowings (per the balance sheet)	**1,121.6**	1,116.3	1,059.1
Cash	**87.2**	56.4	57.9
Net Debt	**1,034.4**	1,089.2	1,001.2
Net Leverage Ratio (≤ 3.5x)	**2.9x**	3.1x	2.7x
Interest Cover Ratio (≥ 5.0x)	**6.8x**	7.7x	8.9x
Maximum Gearing Ratio (≤ 60.0%)	**30.4%**	31.7%	30.0%

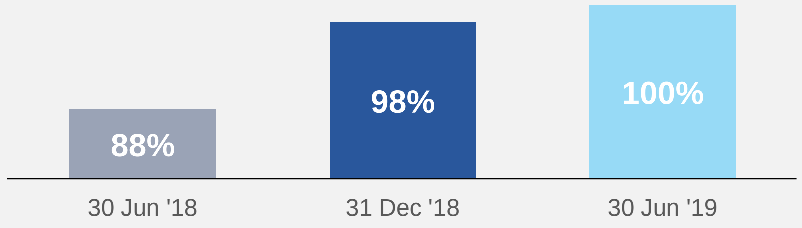
- Net debt
  - Increased by $33.2m YoY due to funding the completed ASC project ($139.4m, mainly in H1); and
  - Reduced by $54.8m in 2H
- Net Leverage Ratio improved by 21bps to 2.87x
- Further de-leveraging to occur during FY20
  - $50m of bank loans classified as current will be paid down with existing cash balances and operating cashflow

Covenant

Maximum Net Leverage Ratio allowed



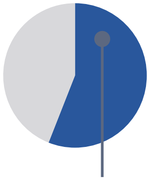
Cash Conversion delivered



FY20 FOCUS AREAS AND GUIDANCE

KEY FOCUS AREAS IN FY20

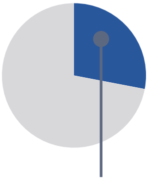
VOCUS NETWORK SERVICES



56%
of Underlying EBITDA[1]

- Revenue growth momentum across Enterprise, Government and Wholesale
- Improving service delivery efficiency
- Improving account management, including increasing products per customer
- Improving operating cost efficiency
- Technology consolidation and modernisation
- Strategic fibre builds from North West Cable System

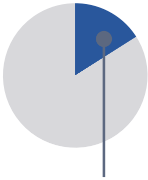
VOCUS RETAIL



28%
of Underlying EBITDA[1]

- Revenue growth in mobile and energy
- Establish wireless broadband options to NBN
- Broadband (NBN) margin management
- Improve cross sell / upsell
- Reducing costs through simplification and automation

NEW ZEALAND



16%
of Underlying EBITDA[1]

- Improve bundling
- Winning “unfair” market share in Ultra Fast Broadband
- Market share gains in Enterprise, Government and Wholesale
- Reducing costs through simplification and automation

1. After cost allocation

GUIDANCE

2020

$359m – $379m
Underlying EBITDA range
(excluding share based payments expected to be approximately $9m)

EBITDA growth in Vocus Network Services of **$20m – $30m offset** by similar decline in Retail

Expect stronger
2H performance

Capex to be **$200m – $210m**
~$15m on Technology Future State
~$30m on IRUs[1]

Cash conversion
90 – 95%

NLR[2] continues to reduce

2021+

Vocus Network Services
accelerating EBITDA growth

Retail business
stabilises during 2HFY21 and primed for growth in FY22

New Zealand
steady growth

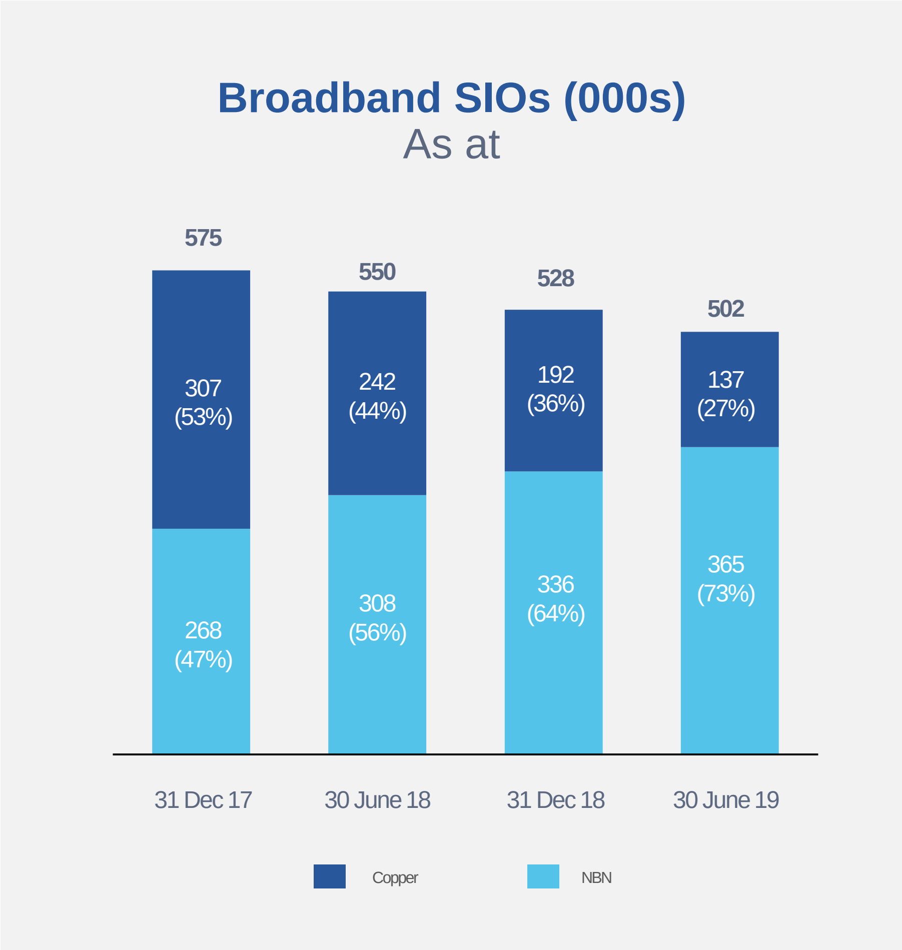
- Guidance for FY20 Underlying EBITDA of $350m - $370m was given on 3 July 2019. This was calculated after deducting expected share based payments of approximately $9m
- The definition of Underlying EBITDA has been changed to exclude share based payments and guidance will now be given on this basis
- The application of AASB16 (Leases) is likely to have a positive impact on Underlying EBITDA reported in the FY20 financial statements. This impact has not yet been quantified and is not factored into this guidance. An update will be provided once the impact can be more accurately quantified

1. Indefeasible Rights of Use ("IRUs")
2. Net Leverage Ratio (Net Debt/EBITDA)

APPENDIX

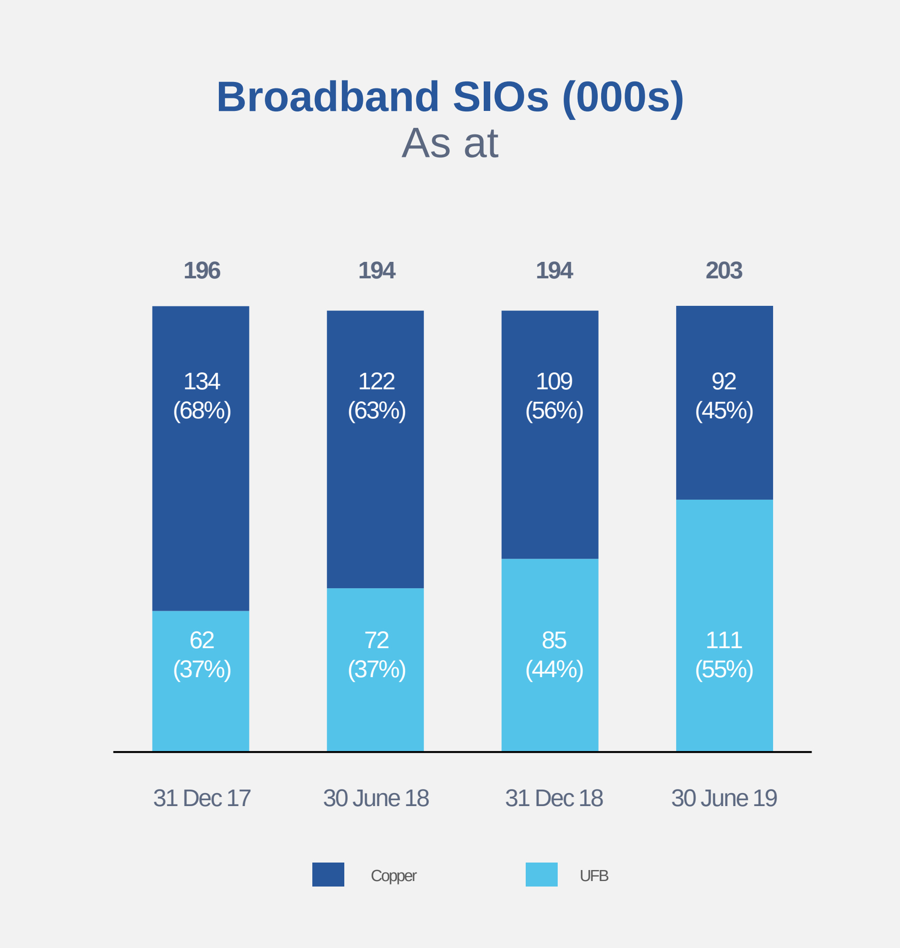
AUSTRALIAN RETAIL
Key Statistics

Metrics	1H FY18	2H FY18	1H FY19	2H FY19
Copper ARPU ($)	$58.5	$57.0	58.0	$56.6
Copper AMPU ($)	$25.0	$24.6	26.0	$24.8
NBN ARPU ($)	$62.1	$64.0	64.1	$64.3
NBN AMPU ($)	$18.8	$20.9	21.1	$20.4
Net Churn – Copper (%)	-2.3%	-2.8%	-3.2%	-3.8%
Net Churn – NBN (%)	-1.7%	-1.6%	-1.6%	-1.8%
NBN market share – Retail (excl. satellite)	7.6%	7.2%	7.0%	6.4%
Mobile SIOs (000s)	176	170	181	180
Energy SIO (000s)	151	140	134	132

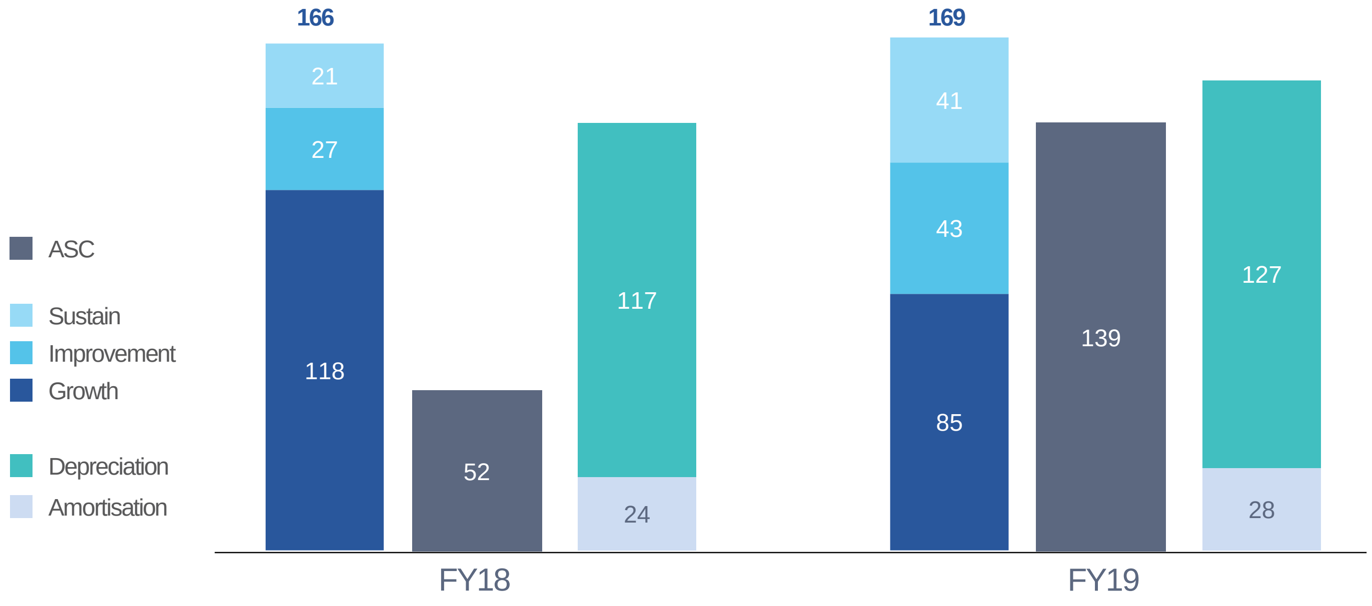


NEW ZEALAND
Key Statistics

Metrics	1H FY18	2H FY18	1H FY19	2H FY19
Broadband ARPU (NZ$)	71.10	70.05	69.80	71.61
Broadband AMPU (NZ$)	28.40	27.71	27.20	28.02
Net churn rate copper broadband (%)	2.3%	2.6%	2.3%	2.3%
Net churn rate UFB (%)	1.6%	1.5%	1.7%	1.5%
Market Share UFB (%)	13%	13%	13%	14%
Energy SIOs (000s)	12	17	22	27
Mobile SIOs (000s)	24	24	26	29
SMB SIOs (000s)	22	22	21	20



CAPITAL EXPENDITURE AND UNDERLYING D&A



- Australia Singapore Cable - $139m in FY19
- Reduced growth capex – customer growth and new products
- Improvement capex - productivity savings and efficiency
  - Retail turnaround
  - NOC and network consolidation
- Sustaining capex - existing assets and infrastructure
  - Capacity upgrades and maintenance
- D&A increased mainly due to ASC completion

FY19 LTI PLAN FORECAST EXPENSE (NON CASH)

A$m	FY18	FY19	FY20	FY21	FY22	FY23	Total
Key Management Personnel	-	4.6	5.4	5.4	2.2	1.0	18.5
Senior Management	-	2.8	2.8	2.8	0.9	0.5	10.0
Legacy Plans	0.6	(0.9)	-	-	-	-	-
Total	**0.6**	**6.4**	**8.2**	**8.2**	**3.3**	**1.5**	**28.6**

Amounts noted in the Legacy Plan row relate to Performance Rights grants in 2017 and 2018 only. These are calculated according to AASB2 *Share Based Payments*, which requires that the expense is based on the performance hurdles which are EPS growth and Synergies/Transformation targets. The remaining accounting expense taken for these Legacy Plans over the vesting period was reversed in FY19

The amounts noted in FY19 and beyond relate to the FY19 LTI Options plan only. These are calculated as per AASB2 *Share Based Payments* and the expense is based on the performance hurdles which are Total Shareholder Returns and service conditions

UNDERLYING EBITDA TO UNDERLYING NPAT

A$m	FY19	FY18	$ change	% change
Underlying EBITDA	360.1	366.7	(6.6)	(1.8)%
Underlying depreciation & amortisation	(155.1)	(141.3)	(13.8)	9.8%
Underlying depreciation	(127.1)	(117.1)	(10.0)	8.5%
Underlying amortisation	(28.0)	(24.2)	(3.8)	15.7%
Underlying EBIT	205.1	225.4	(20.3)	(9.0)%
Net financing costs	(53.1)	(41.0)	(12.1)	29.5%
Underlying Profit before tax	152.0	184.4	(32.4)	(17.6)%
Underlying tax expense	(46.5)	(56.8)	10.3	(18.1)%
Underlying Net Profit after Tax	105.5	127.6	(22.1)	(17.3)%
Significant items before tax	(99.3)	(94.5)	(4.8)	5.1%
Significant items after tax	(71.5)	(66.5)	(5.0)	7.5%
Net Profit after Tax	34.0	61.1	(27.1)	(44.4)%

- Underlying D&A increased mainly due to completion of Australia Singapore Cable in September 2018
- Finance costs higher due to higher net debt associated with funding of Australia Singapore Cable

RESTATEMENT OF REPORTED FY18 DIVISIONAL PERFORMANCE

A$m	FY18 (as per OFR)	Consumer / Business combined in Retail	Business Unit Re-allocations	LTI expense & Revenue reclassification	FY18 (post reallocations)
Revenue	**1,898.2**	**-**	**-**	**(13.4)**	**1,884.7**
Vocus Network Services	568.9	-	6.9	-	575.8
Business	203.9	(203.9)	-	-	-
Consumer	790.3	(790.3)	-	-	-
Retail	-	994.2	(6.9)	(13.4)	973.9
New Zealand	335.1	-	-	-	335.1
Underlying EBITDA	**366.1**	**-**	**-**	**0.6**	**366.7**
Vocus Network Services	318.7	-	26.0	-	344.7
Business	87.1	(87.1)	-	-	-
Consumer	84.4	(84.4)	-	-	-
Retail	-	171.5	(0.3)	-	171.2
New Zealand	56.6	-	-	-	56.6
Infrastructure, Operations and Group	(180.7)	-	(25.7)	0.6	(205.8)

- Due to changes to the operating and reporting structure of the business in FY19, a restatement of FY18 and 1H19 divisional Revenue and Underlying EBITDA is required to enable a like for like comparison across periods. The table sets out those reallocations
- The most significant is to combine the Business (Commander) and Consumer division into the Retail division
- There is also a reallocation of cost from Vocus Network Services to Infrastructure, Operations and Group to recognize activities undertaken for the benefit of the Australian business, rather than specifically for Vocus Network Services

RESTATEMENT OF REPORTED 1HFY19 DIVISIONAL PERFORMANCE

$m	1H19 (as per OFR)	Consumer / Business combined in Retail	Business Unit Re-allocations	LTI expense & Revenue reclassification	1H19 (post reallocations)
Revenue	**974.2**	**-**	**-**	**(5.2)**	**969.0**
Vocus Network Services	360.9	-	0.3	-	361.2
Business	88.6	(88.6)	-	-	-
Consumer	350.4	(350.4)	-	-	-
Retail	0	439.0	-	(5.2)	433.8
New Zealand	174.0	-	-	-	174.0
Infrastructure, Operations and Group	0.3	-	(0.3)	-	-
Underlying EBITDA	**170.7**	**-**	**-**	**5.6**	**176.3**
Vocus Network Services	166.9	-	12.3		179.2
Business	33.1	(33.1)	-		-
Consumer	45.5	(45.5)	-		-
Retail	-	78.6	0.3		78.9
New Zealand	28.3	-	-		28.3
Infrastructure, Operations and Group	(103.1)	-	(12.6)	5.6	(110.1)

- Due to changes to the operating and reporting structure of the business in FY19, a restatement of FY18 and 1H19 divisional Revenue and Underlying EBITDA is required to enable a like for like comparison across periods. The table sets out those reallocations
- The most significant is to combine the Business (Commander) and Consumer division into the Retail division
- There is also a reallocation of cost from Vocus Network Services to Infrastructure, Operations and Group to recognize activities undertaken for the benefit of the Australian business, rather than specifically for Vocus Network Services

THANK YOU