

Vocus Communications

H1/15 Results

20 February 2015



H1/15 Financial Highlights

Revenue

 **42%**

Underlying EBITDA¹

 **50%**

Underlying NPAT¹

 **54%**

Operating Cash Flow

 **66%**

1. Excludes net gains on total return swaps, gain on early repayment of borrowings, acquisition and integration costs and other gains and losses

Financial Snapshot

Increasing operating leverage amidst strong growth

Financial Results	H1/14	H1/15	% Chg
Revenue (\$'000)	44,300	62,744	↑ 41.6%
Underlying EBITDA ¹ (\$'000)	14,394	21,586	↑ 50.0%
Underlying NPAT ¹ (\$'000)	5,813	8,968	↑ 54.3%
Statutory NPAT (\$'000)	5,124	26,215	↑ 411.6%
Underlying diluted EPS ¹ (cps)	7.26	8.61	↑ 18.6%

Commentary

Product segments continue to perform strongly

Statutory NPAT primarily benefited from one off items

December quarter largest sales quarter ever by the Australian sales team

Fully franked interim dividend of 1.2 cps declared

Fully franked special dividend of 5.1 cps declared, conditional on approval of the proposed scheme of arrangement with Amcom Telecommunications Limited

1. Excludes net gains on total return swaps, gain on early repayment of borrowings, acquisition and integration costs and other gains and losses

H1/15 results – items to note

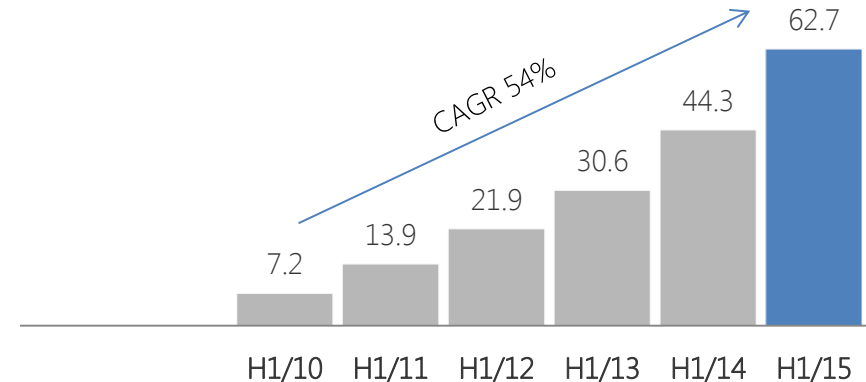
H1/15 result includes one-off items

- One-off gains and losses during the period impacting statutory NPAT, primarily being:
 - Unrealised gain on mark-to-market movements on total return swap in relation to Amcom
 - Realised gain on early payment of USD IRU borrowings
 - Acquisition and integration costs on completed and proposed acquisitions during the period
 - FX Networks performance softened compared to expectations as a result of the sale process. EBITDA underperformance for the half-year includes the previously announced construction shortfall
- Construction business divested into JV subsequent to year-end, converting an uneven revenue stream to a more Vocus-style annuity stream

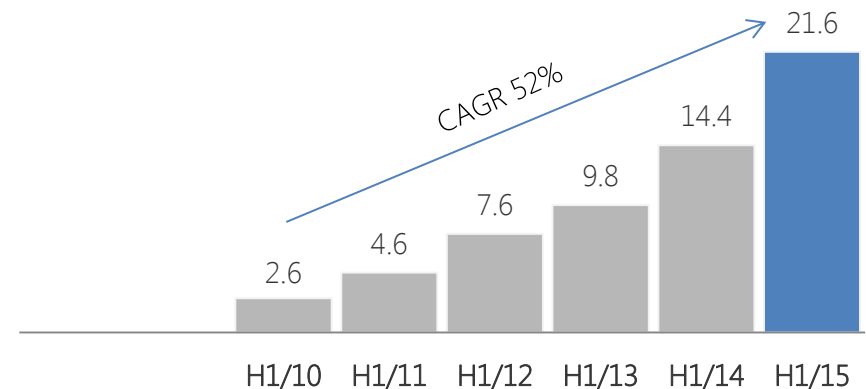
Company Overview

- Leading provider of integrated telecommunications services across Australia and New Zealand
- Provides Fibre & Ethernet, Internet, Data Centre and Voice services
- Revenue and Underlying EBITDA¹ CAGR of 54% and 52%, respectively

Revenue (\$m)



Underlying EBITDA¹ (\$m)



1. Excludes net gains on total return swaps, gain on early repayment of borrowings, acquisition and integration costs and other gains and losses

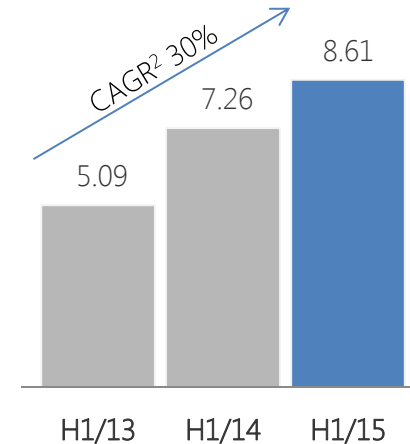
2. Compound annual growth rate ("CAGR") from H1/10 – H1/15

Earnings per Share and Dividends

- Strong 3 year EPS CAGR²
- EPS growth net of capital raise and acquisitions
- Continuing growth in dividends to shareholders
- Special one-off dividend to shareholders prior to acquisition of Amcom of 5.1cps, conditional on scheme approval

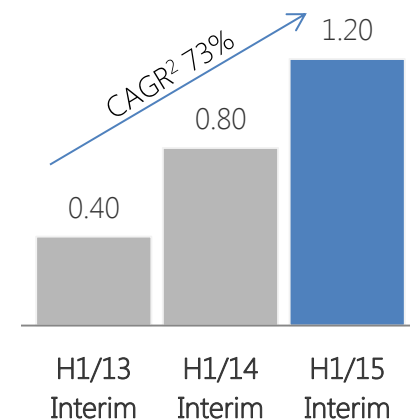
Diluted Underlying Earnings Per Share¹ (cps)

↑ 19%
increase over
H1/14



Dividends declared (cps)

↑ 50%
increase over
H1/14



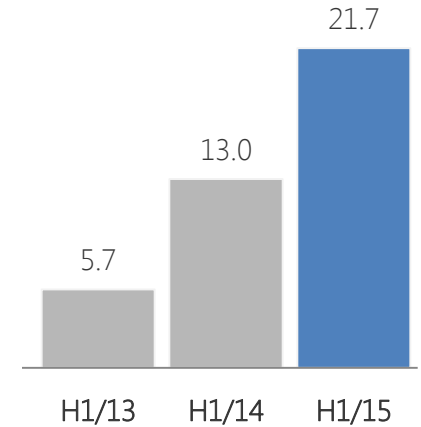
1. Diluted earnings per share calculated on underlying NPAT
 2. Compound annual growth rate ("CAGR") from H1/10 – H1/15

Cash Flows

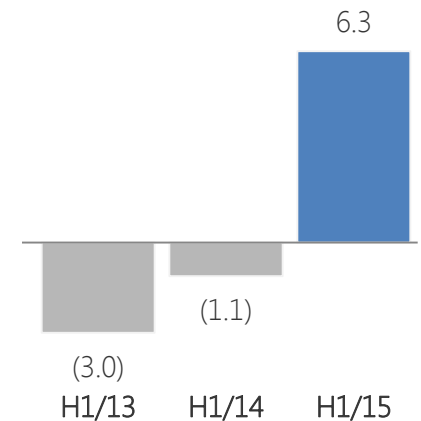
- Operating leverage continues to strengthen given fixed cost base
- Strong base to fund ongoing operations and future expansion
- Free cash flow emerging as operating cash flow accelerates

Operating Cash Flow (\$m)


66%
 growth
 over H1/14



Free Cash Flow¹ (\$m)

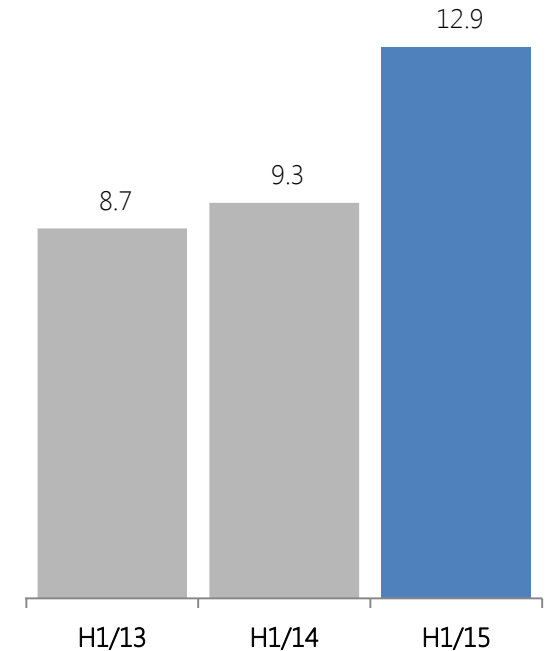


¹ Free Cash Flow = Operating Cash Flow after payments for property, plant and equipment and intangibles

Core Capital Expenditure

- Customer demand driving capital expenditure
- Predominantly spent on Australian metropolitan fibre

Core Capital Expenditure (\$m)



Capital expenditure represents additions to property, plant and equipment, measured on an accrued basis

Excludes purchase of 10% ownership of Sea-Me-We3 undersea cable which completed in July 2014 (\$2.8m) and FX Networks capex during the period (\$2.0m)

Leverage

- IRU liability repaid in July 2014
- Net debt increased following Bentley and FX Networks acquisitions

	Vocus 31 Dec 2013	Vocus 31 Dec 2014
IRU liability	\$26.2m	-
Bank debt	\$36.4m	\$104.0m
Finance leases	\$2.3m	\$11.3m
<i>less</i> Cash	(\$7.7m)	(\$39.1m)
Net debt	\$57.2m	\$76.2m
Gearing ¹	41%	27%
Net leverage ²	2.1x	1.9x

Notes:

1) *Net Debt / Net Debt + Equity*

2) *Net Debt / Underlying LTM EBITDA*

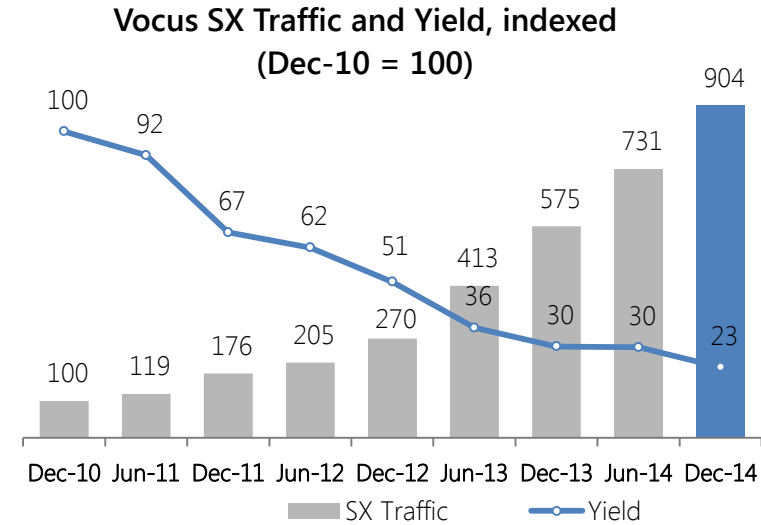
LTM – Last Twelve Months

Product Review

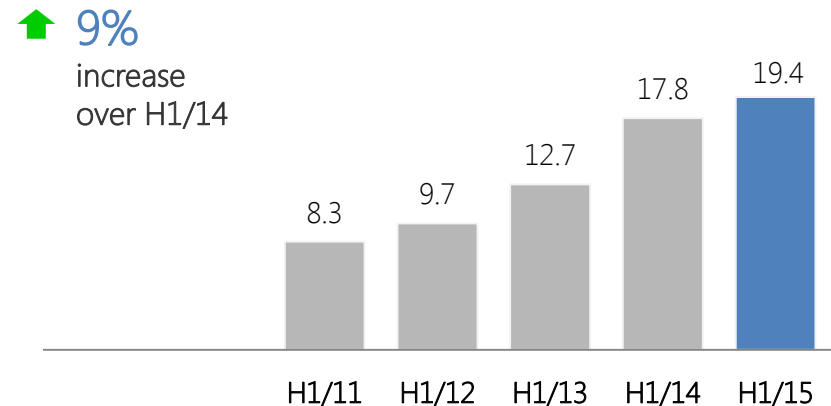


Internet

- Southern Cross price decline offset by traffic growth
- Impact of repricing of Vodafone contract in July 2014 recouped by organic growth
- Additional revenue arising from FX Networks acquisition



Internet Revenue (\$m)

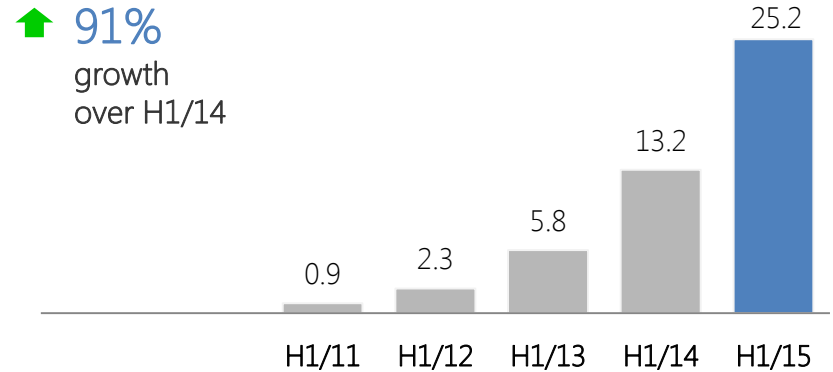


Fibre and Ethernet

- Vocus currently owns
 - 687km of metropolitan fibre in Australia
 - 4,252km of intercity fibre in New Zealand

- 44% organic growth, excluding acquired revenue of Ipera and FX Networks

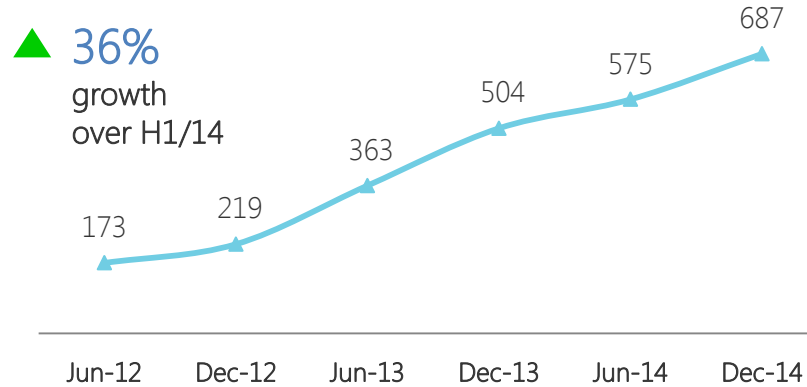
Fibre and Ethernet Revenue (\$m)



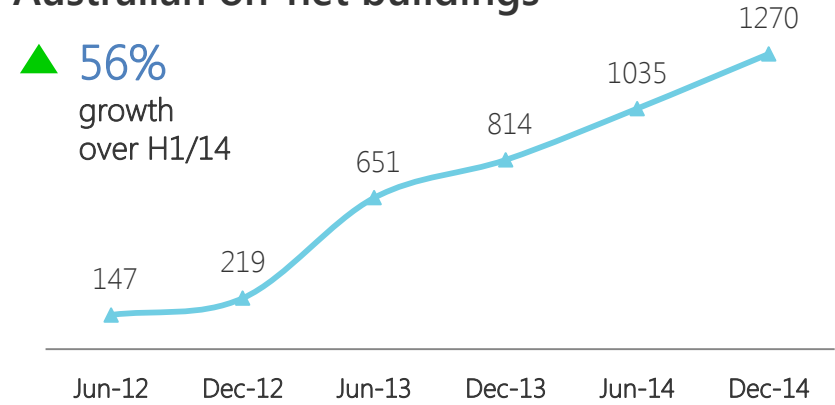
Fibre and Ethernet

Operational metrics

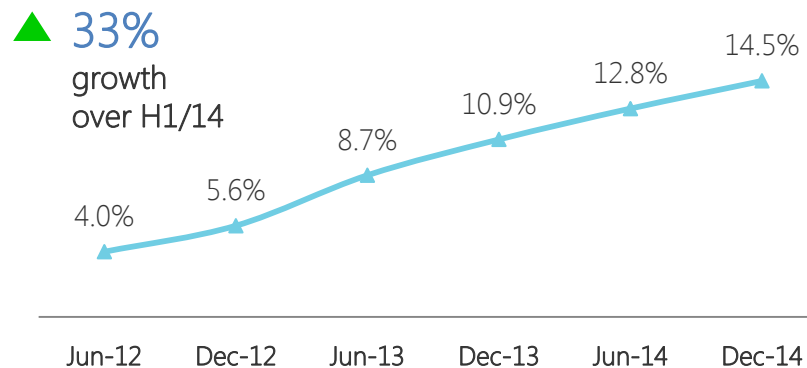
Australian fibre network kilometres



Australian on-net buildings



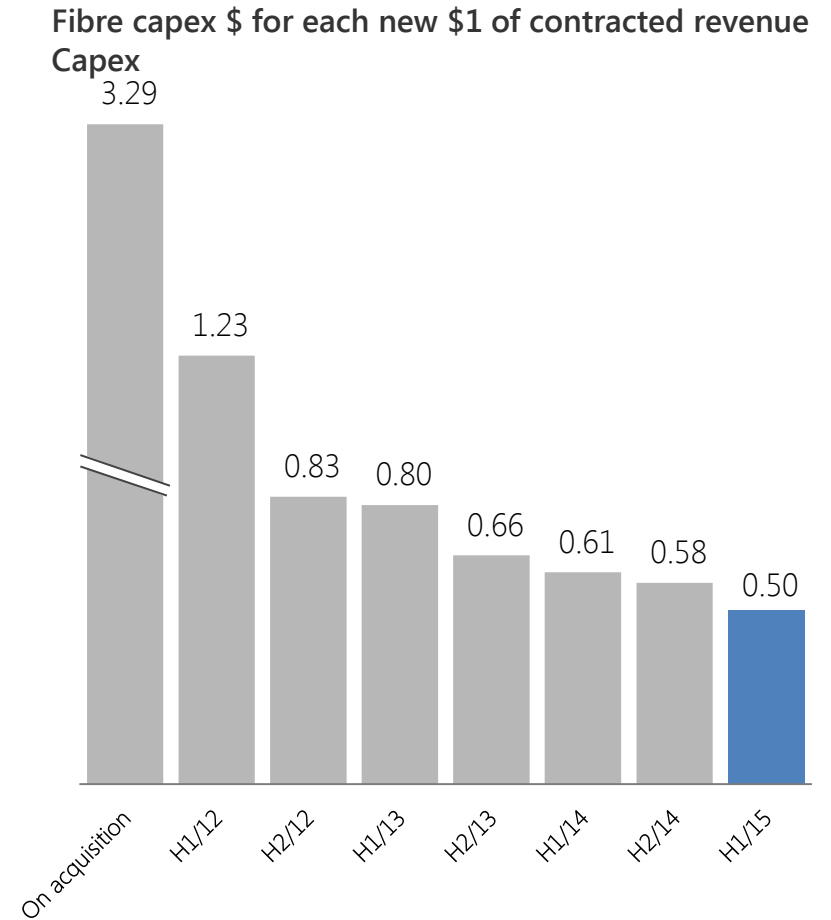
Australian fibre network utilisation



Fibre and Ethernet

Capex efficiency

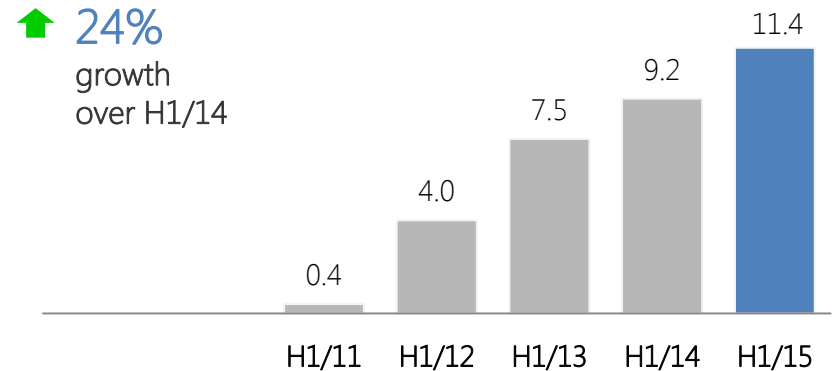
- Efficiency expected to continue to move below 0.50 over time
- Excludes one long-haul build to EDC's Norwest DC in H1/15



Data Centres

- 15 facilities¹ across 11 sites, totalling 5,788m²
- Purchase of Sydney and Melbourne data centres from Enterprise Data Corporation announced February 2015
 - 1,566m²
 - 743 racks (66% utilised)

Data Centre Revenue (\$m)



1. Including EDC acquisition announced February 2015

Data Centres

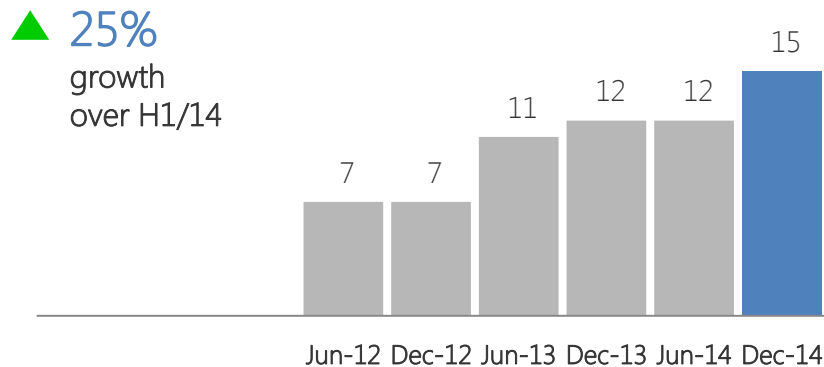
Operational metrics

- Utilisation slightly lower relative to Dec-13 as additional racks installed in high demand locations during the period

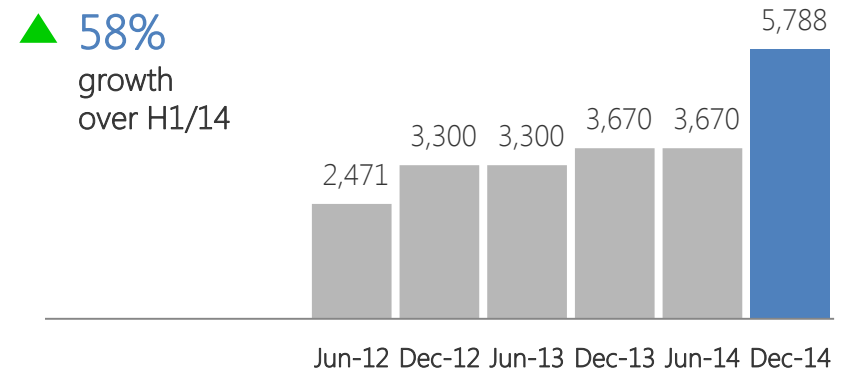
Data Centre Summary

Location	Area	Utilisation Dec-13	Utilisation Dec-14
Sydney – Doody St (SYD01, SYD02, SYD03a)	897m ²	88%	87%
Melbourne – Crockford St (MEL01)	490m ²	100%	100%
Melbourne – 530 Collins St (MEL02)	685m ²	5%	18%
Perth – PerthIX (PER01)	536m ²	96%	94%
Perth – Bentley (PER02)	552m ²	-	72%
Auckland (AKL01, AKL02)	564m ²	69%	69%
Christchurch (CHC01)	128m ²	34%	43%
Newcastle – Denison (NTL01)	90m ²	97%	96%
Newcastle – Steel River (NTL02, NTL03)	280m ²	51%	59%
Total	4,222m²	72%	69%
Melbourne – Mitcham (MEL03)	936m ²	-	65%
Sydney – Norwest (SYD04)	630m ²	-	67%
Total (incl. EDC acquisition)	5,788m²	72%	68%

Data Centre facilities¹



Data Centre area¹ (m²)

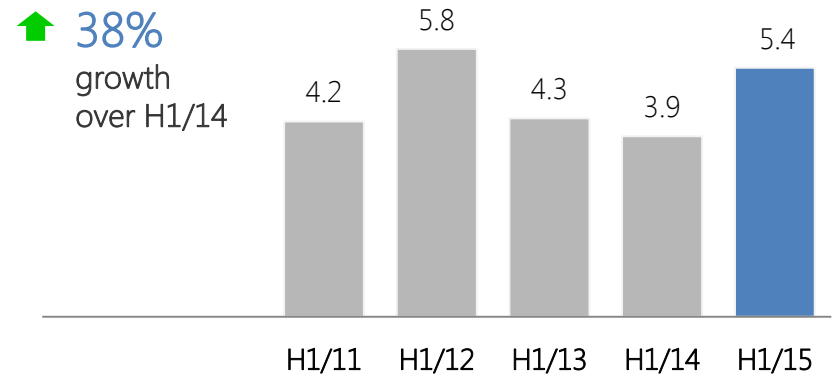


1. Including EDC acquisition announced February 2015

Voice

- Revenue increases as a result of increased volumes from existing and new customers following platform refresh
- Valuable bundled service for enterprise customers

Voice Revenue (\$m)



Infrastructure and Integration



FX Networks

Integration progressing; de-risk of construction business via JV

- Acquisition of FX Networks completed in September 2014
- FX Networks performance softened compared to expectations as a result of the sale process. EBITDA underperformance for the half-year includes the previously announced construction shortfall
- Construction work was reduced during H1/15 as orders held back to be placed into the joint venture
- Momentum improving post-completion including a recent multi-million dollar contract won partnering with IBM as part of the NZ Govt National Infrastructure Platform
- Construction business sold to a 50% JV with Spark New Zealand Trading in return for a cash payment and committed level of construction spend to reduce revenue and earnings volatility
- JV expected to contribute NZ\$2.3m to Vocus EBITDA in the first full year of operations (FY16)
- Further changes planned to drive revenue and profit growth into FY16
- Synergy benefits to be predominantly realised over FY16

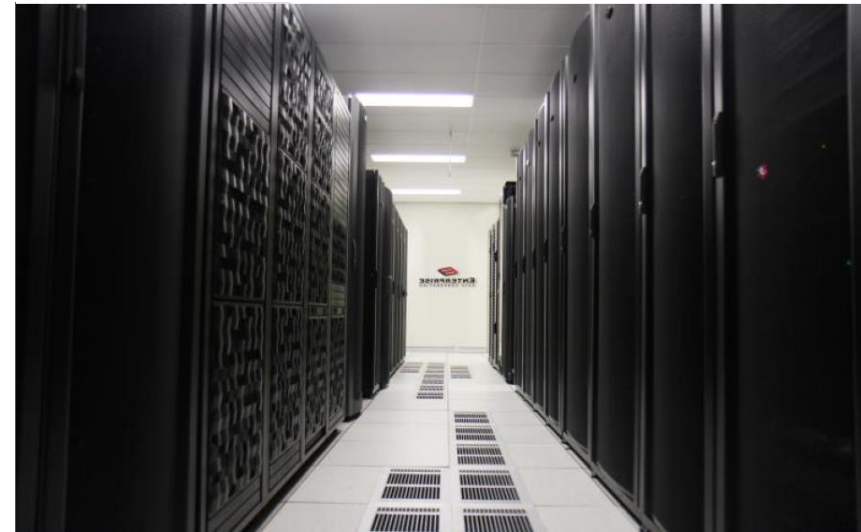
Amcom acquisition

- Vocus to acquire Amcom via scheme of arrangement
- Combination of two geographically diverse (East and West coast), complementary businesses to create a major national telecommunications infrastructure provider
- Scheme booklet to be dispatched in March 2015
- All-scrip transaction, 0.4614 Vocus shares for each Amcom share
- Group debt to be refinanced at completion through syndicated debt facilities underwritten by the Commonwealth Bank of Australia
- Growth and working capital facilities available to fund future growth
- Shareholder vote late April 2015
- Expected completion mid May 2015

EDC acquisition

Acquisition of Data Centres and Business Continuity Assets

- Announced in February 2015
- Acquisition of:
 - Two Data Centres in Sydney and Melbourne
 - Disaster Recovery Services – replication and back-up of client data
 - Business Continuity Services – physical office space and facilities for temporary relocation of staff in the event of a disaster
- Expected annualised EBITDA of \$4.7m
- Total purchase price \$23.5m
- Expected to complete in April 2015



Southern Cross Capacity Purchase Program

- Purchase program for additional capacity on the Southern Cross Cable, which connects Australia and New Zealand to the United States
- Southern Cross capacity continues to be a key differentiator for Vocus
- The program will increase existing capacity by close to 10 times (when fully allocated), ensuring Vocus will continue to meet the rapid growth in Internet data demand
- Capacity will be allocated and paid in annual instalments over a six year period commencing December 2015
- The assets and liabilities relating to these purchases will be recognised incrementally as capacity is allocated instead of upfront, aligning the amortisation and payments to expected use with the first purchase in December 2015
- As with previous purchases, the capacity is for the life of the cable, currently to November 2030

The Year Ahead

- Complete and integrate acquired businesses
- Increasing operational leverage and asset utilisation from a diverse and valuable infrastructure portfolio
- Drive organic growth using national sales team and integrated product suite
- Update on Amcom acquisition to be provided after the Amcom shareholder vote in April 2015

Clear growth strategy with national, trans-Tasman and international infrastructure aligned to increasing data demand, cloud computing and IT outsourcing trends

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