

22 August 2019

VOCUS HITS FY19 GUIDANCE

FOUNDATIONS IN PLACE TO DELIVER GROWTH

Vocus Group Limited (“Vocus”, ASX: VOC), Australia’s specialist fibre and network solutions provider, today announced its results for the full year ended 31 June 2019, meeting guidance and with the foundations now in place to drive growth from market opportunities.

Key highlights for the full year include

- Results in line with guidance across all key metrics
- Foundations laid to deliver growth
- Core business Vocus Network Services delivered growth with recurring revenues up 5%
- Vocus Retail business unit margins improved through strong cost reductions
- Continued strong performance from Vocus New Zealand, with revenue up 4.5% and EBITDA up 2.5%
- Strong cash conversion with Net Leverage Ratio improved in 2H
- FY20 guidance reaffirmed

Group Managing Director and CEO, Kevin Russell, stated “This has been a year of significant change and our priority has been to deliver our financial guidance whilst laying the key foundations that will enable Vocus to capitalise on our market opportunities and deliver growth from our core network assets. Our guidance has been met and those foundations solidly set.

“We have delivered on the immediate priorities outlined at the last result: the right leadership team in place, with the skills and experience to deliver and the re-orientation of our business strategy to capitalise on the strength of our exceptional infrastructure assets. The focus is now on execution of our plans over the coming 24 months,” he concluded.

Business performance

Vocus Network Services, the Company’s core business that contributes the majority of EBITDA, has delivered revenue and EBITDA growth this year, with recurring revenues up 5%, total revenues up 23% and underlying EBITDA increasing 5%. Recurring revenue growth was generated primarily through our State and Federal Government business, demand generated across the network by the Australia Singapore Cable, and a strong performance in the Wholesale business.

When the Australia Singapore Cable (“ASC”) became operational in September 2018, it unlocked the capacity bottleneck from Australia to Asia. Strong sales growth has been achieved and it is driving additional traffic on the domestic network. This trend is expected to continue, given the continuing increase in bandwidth demands, the need to push content closer to the edge, and the need for diversity on this route becoming increasingly important to content players.

The Coral Sea Cable project, being built by Vocus on behalf of the Australian Government and connecting the Solomon Islands and Papua New Guinea with Australia, is tracking on time and on budget. Cable laying commenced in July and is scheduled to land in Sydney by the end of August 2019. The main cable lay is due to be completed in October which will be followed by a period of configuration and testing.

Although the Retail business saw a 15% decline in revenues, EBITDA margins increased 1.8% due to its digital transformation program, operating cost efficiencies, and improved supplier terms. The revenue headwinds from the reduction in PSTN Voice services across the market and the continuing migration to low-margin NBN services are reducing as the NBN roll out progresses. A renewed focus on energy and mobile services will lead to growth and diversification of revenue streams in this business unit.

Vocus New Zealand delivered another strong performance, increasing revenue by 4.5% and EBITDA by 2.5%. Revenue growth was driven by an increased focus on higher value customers and bundled services and reducing customer churn. EBITDA grew through a reduction in headcount and investment in digital customer experience lowering the cost to serve. Margins in core telecommunication services have been maintained, but strong growth in energy is changing the product mix.

Outlook

The Company reiterated FY20 guidance given to the market on 3 July 2019, with an adjustment to exclude share-based payments of \$9 million from Underlying EBITDA

- Underlying EBITDA in the range of \$359-\$379 million (previously stated \$350-\$370 million)
- EBITDA growth in Vocus Network Services of \$20-\$30 million offset by similar decline in Retail
- Capex in the range of \$200-\$210 million
- Cash conversion between 90-95%

Webcast for Investors

Group Managing Director and CEO, Kevin Russell, and Group CFO, Mark Wratten, will hold a webcast for investors at 10.00am on 22 August 2019. To attend the webcast, please go to our website:

<https://vocusgroup.com.au/investors/company-performance/results/>

ENDS

ASX/Media Release



For further information, please contact:

Investors

Bill Frith, Investor Relations
P: +61 (0)405 144 807
bill.frith@vocus.com.au

Media

Debra Mansfield, Corporate Communications
P: +61 (0)3 9674 6569
debra.mansfield@vocus.com.au

About Vocus

Vocus Group Limited (ASX: VOC) is Australia's specialist fibre and network solutions provider, connecting all mainland capitals with Asia and the USA. Regionally, Vocus has backhaul fibre connecting most regional centres in Australia. Vocus also operates an extensive and modern network in New Zealand, connecting the country's capitals and most regional centres. In total, the Vocus terrestrial network is c.30,000 route-km of high performance, high availability fibre-optic cable, including 4,600km of submarine cable connecting Singapore, Indonesia and Australia and 2,100km of submarine cable between Port Hedland and Darwin and connecting offshore oil and gas facilities in the Timor Sea. Vocus owns a portfolio of well-recognised brands catering to enterprise, government, wholesale, small business and residential customers across Australia and New Zealand.