



**M2 Telecommunications Group Ltd (MTU)**  
**FY10 Results Presentation**  
for the year ended 30 June 2010

30 August 2010



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# Presentation content



**M2 Overview**

**FY10 Numbers + FY11 Guidance**

**The M2 Business**

**Priorities for FY11**

**Key Investment Metrics**



## **M2 Overview**

**FY10 Numbers + FY11 Guidance**

**The M2 Business**

**Priorities for FY11**

**Key Investment Metrics**



***To be the pre-eminent provider of telecoms services to Australian small and medium businesses (SMBs), reseller telcos and Internet Service Providers (ISPs) .***



# The M2 Business



A provider of a full suite of telecommunications services to Small and Medium Businesses (SMBs) and wholesale customers in Australia and New Zealand.



Fixed Line

Mobile

Broadband

Wireless  
Broadband



# Fast facts about M2



Founded December 1999. Listed on ASX 2004. Admitted to ASX 500 2010.

\$400m+ in annual revenue. Approx 1% telecoms industry market share.

Eight consecutive years growth in earnings, EPS and DPS.

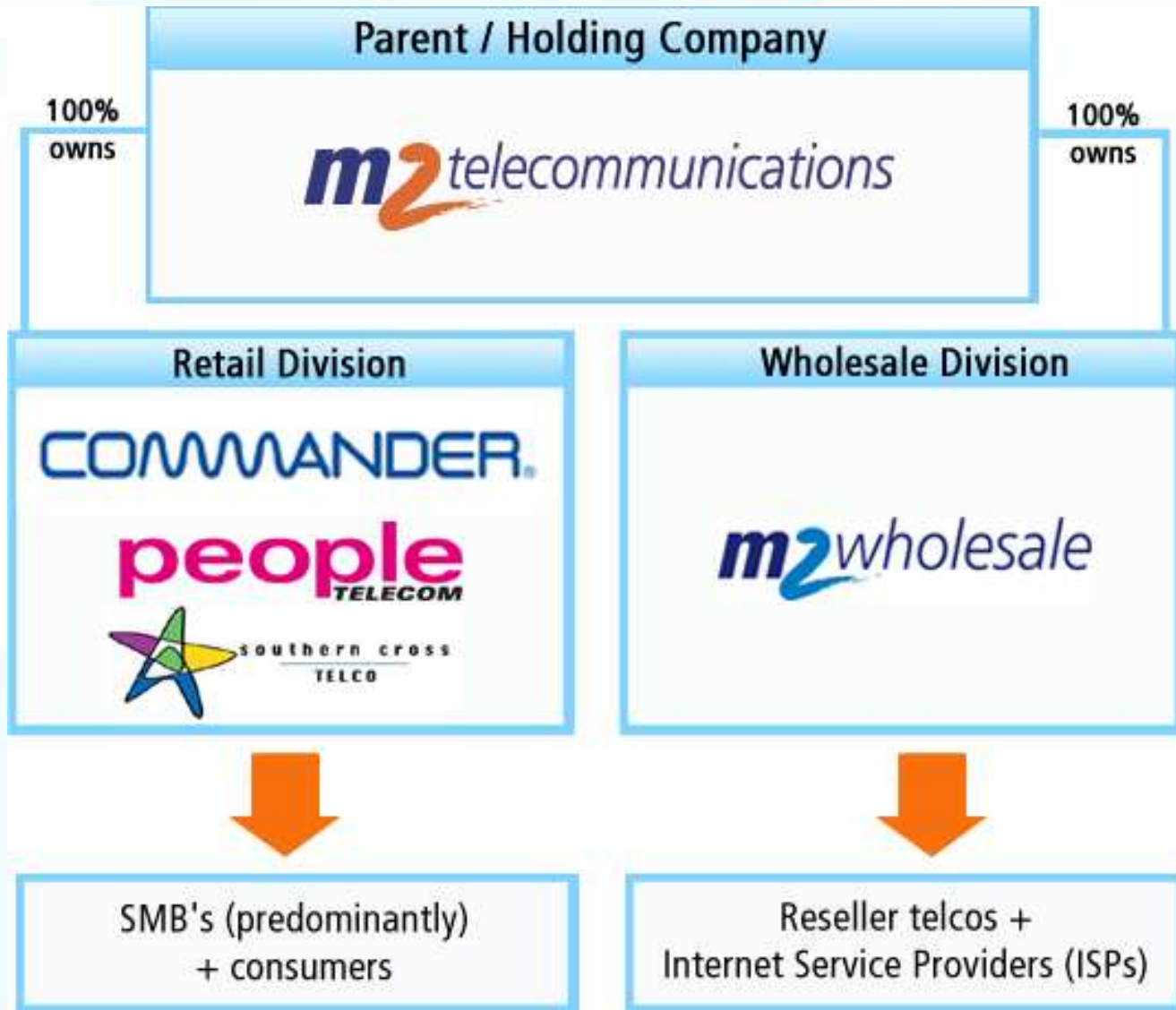
430 team members (approx). Retains founding Board and management team.

Minimal network infrastructure. Technology flexibility. Low capital expenditure.

Operates Retail (SMB focus) and Wholesale business units.



# M2 Group structure



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# FY2010 : A record year by every measure



\$m	FY10	FY09	% change
Revenue	406.1	202.5	Up 101%
EBITDA	31.4	13.3	Up 136%
EBIT	26.4	11.1	Up 137%
EBIT (underlying*)	28.8	11.9	Up 142%
NPAT	16.2	7.4	Up 119%
NPAT (underlying*)	18.5	8.2	Up 126%
EPS (cents)	14.6	8.8	Up 66%
EPS (cents, underlying*)	16.7	9.7	Up 72%
Dividend (cents)	10	5.5	Up 82%

\* Underlying EBIT, NPAT and EPS results each include an add-back of a non-cash cost of \$2.38 million, comprised of amortisation costs associated with customer contracts acquired in the previous period (in accordance with Australian Accounting Standards)

# Guidance FY2010 : NPAT to grow 40%

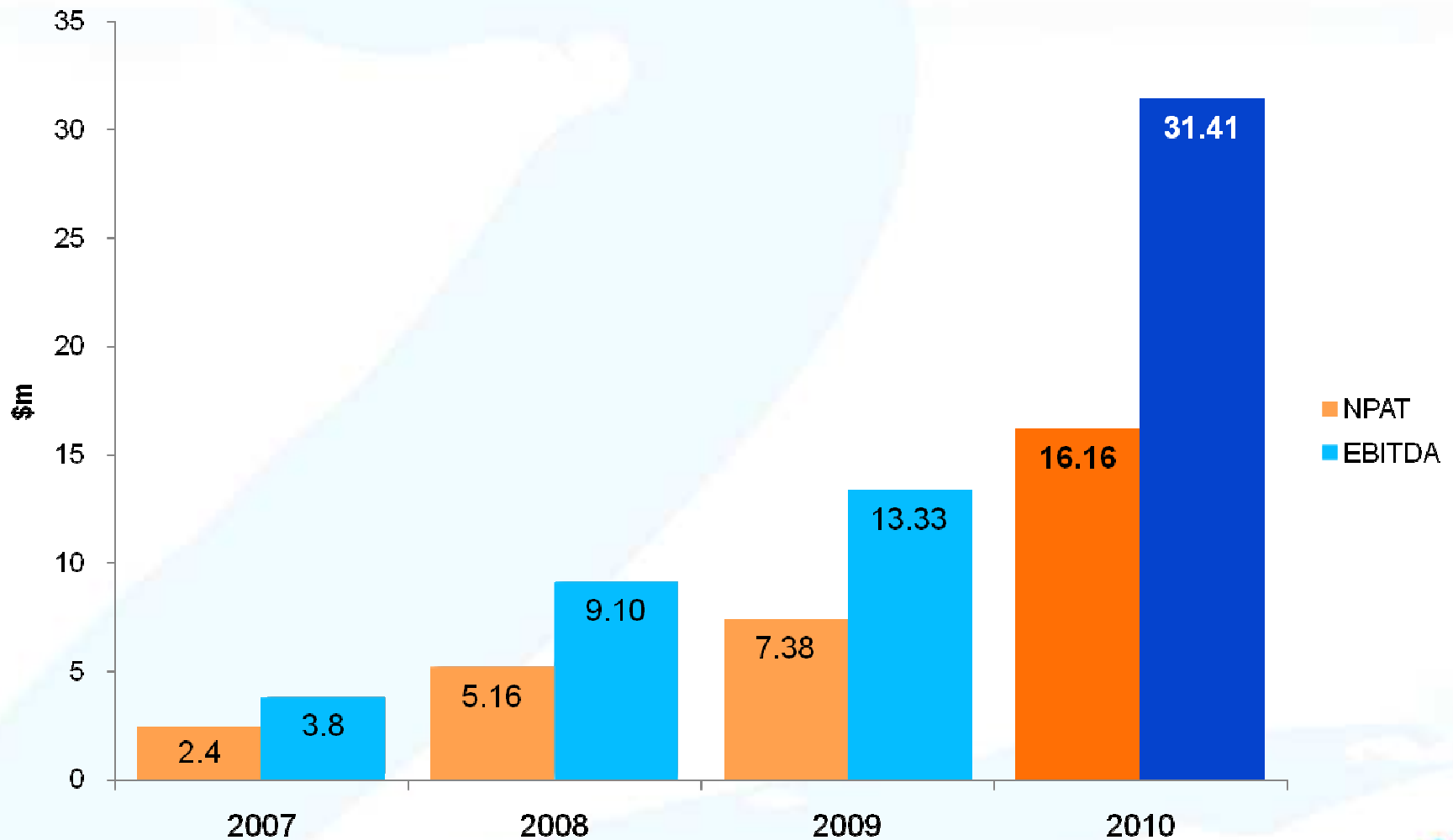


\$m	2010(a)	2011(f)	% Change (midpoint)
Revenue	406.11	425 – 445	7%
EBITDA	31.41	41.0 – 42.5	33%
NPAT	16.16	22.0 – 23.5	41%
NPAT (underlying*)	18.54	25.2 – 26.7	40%
EPS	14.57c	18.1 – 19.4c	29%
EPS (underlying*)	16.7c	20.7 – 22.0c	28%
PE Multiple**	13.1	9.3	
PE Multiple(underlying*)	11.5	8.2	

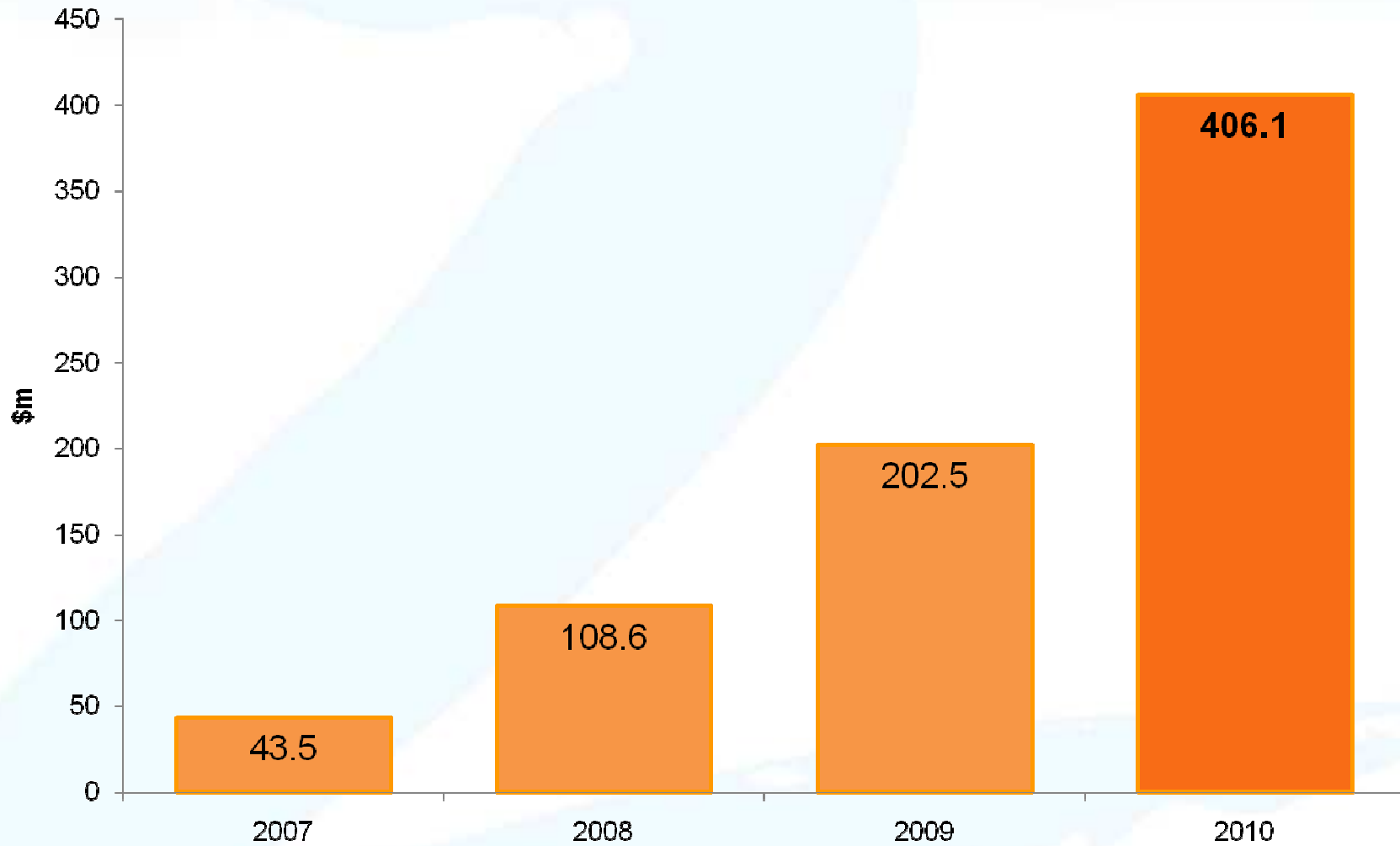
\* Underlying NPAT and EPS guidance each include an add-back of a non-cash cost of \$2.38 million, comprised of amortisation costs associated with customer contracts acquired in the previous period (in accordance with Australian Accounting Standards)

\*\* Refers to the Price to Earnings multiple of the Company based on its NPAT (and NPAT underlying) relative to the current market capitalisation of approximately \$213m (based on closing share price of \$1.75 on 27 August 2010)

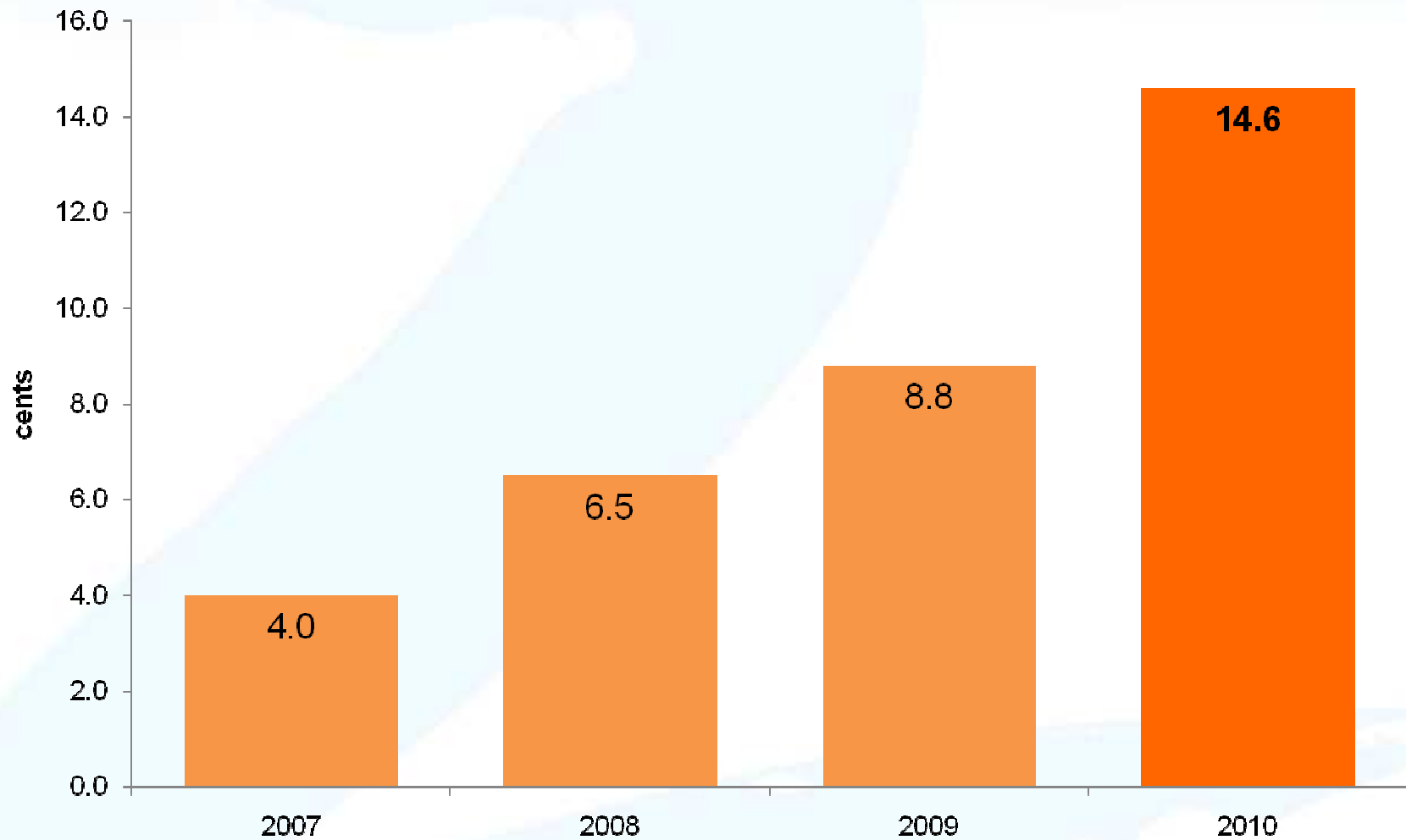
# NPAT & EBITDA increase more than 100% *m2*



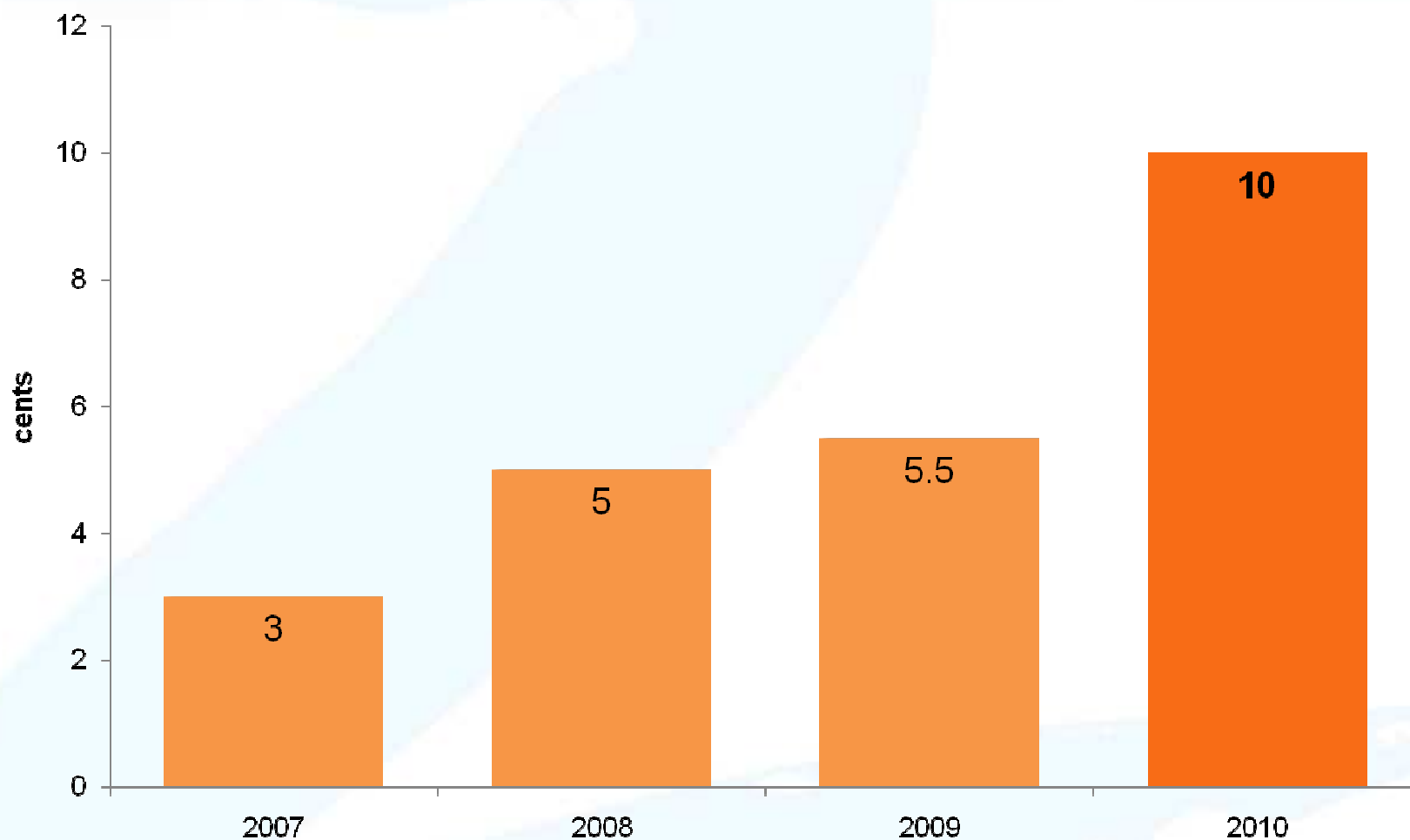
# Revenue growth continues – up 100%+



# Earnings Per Share increases 66%



# Dividend Per Share increases 82%



# Balance sheet strengthened in FY10



\$m	30 Jun '10	30 Jun '09
Cash at bank	15.06	6.69
Total assets	159.30	141.31
Total liabilities	82.32	92.90
Net assets	76.99	48.41
Net Tangible Assets	6.68	(18.77)
<b>Net debt</b>	<b>1.51</b>	<b>9.57</b>



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# Key M2 brands



**COMMANDER**<sup>®</sup>  
Connecting Business



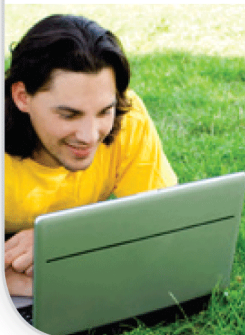
Trusted brand.  
Bundled telecom services with equipment for Small and Medium sized Businesses and small corporates.

**people**  
TELECOM



'Challenger' brand, offering personalised service and tailored telecoms for Small and Medium sized Businesses.

 **southern cross**  
TELCO



Regional focus, offering full suite of telecoms to consumers and Small Office / Home Office businesses.

**m2**wholesale<sup>®</sup>



Offers wholesale telecommunications services to small and mid-sized telcos and Internet Service Providers.

# M2 Retail Division – Fast Facts



# M2 Wholesale – Fast Facts



**Market Strategy:**  
full service wholesale  
provider to reseller telcos &  
specialised ISPs

**Sales Strategy:**  
Internal sales and account  
management

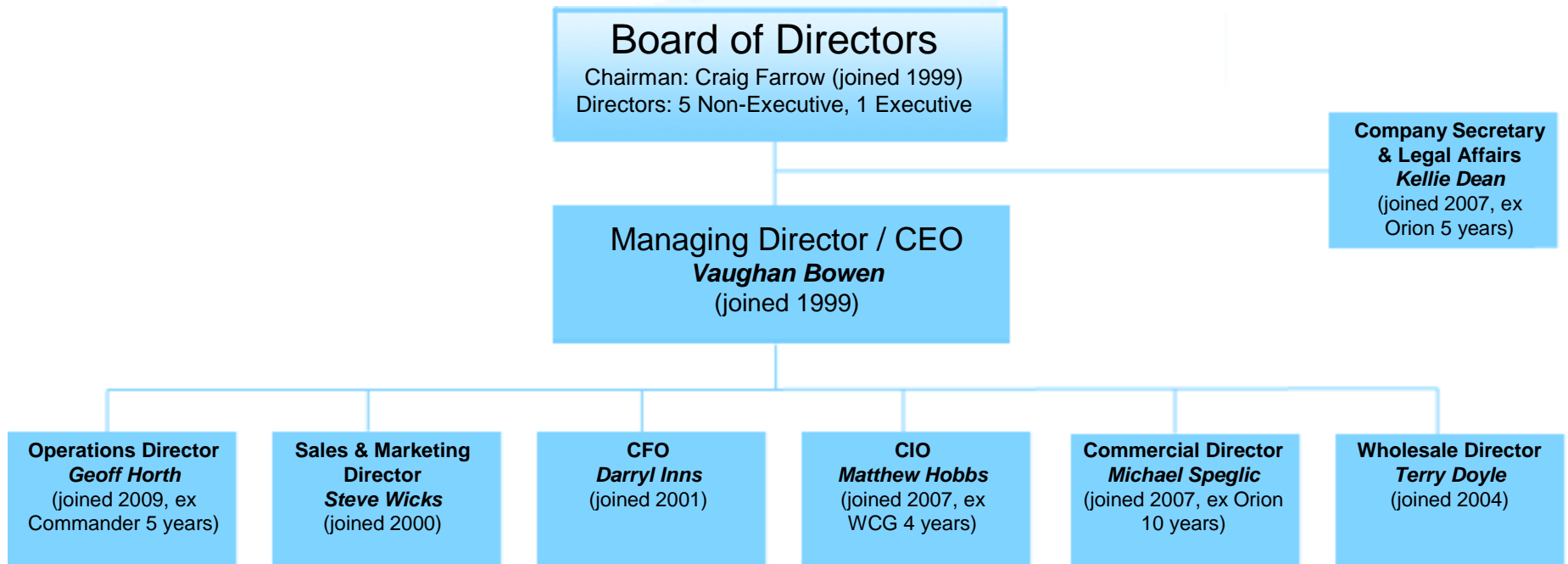
## M2 Wholesale

**Division Revenue:**  
approx \$155 m  
(annualised @ Jul '10)

**Core Products:**  
Fixed line, 3G mobile, mobile  
broadband, ADSL (1-2+),  
business grade data



# Long serving Board and Exec Management



# Key achievements in FY10



Expansion of People Telecom and Commander sales channels and product suites

Consolidation of functional operations across the business

Completed key operating systems migrations within M2 Wholesale division

Implementation of company-wide accounting, payroll & incident ticketing systems

Reduction of underlying cost base via functional efficiencies & improved buying

Doubling of new sales volumes & marked increase in customer retention



# People Telecom and Commander acquisitions – a year on



**people**  
TELECOM

Core proposition:  
“Challenger” brand, offering  
personalised service and  
tailored telecoms for SMBs.

New sales and customer retention  
markedly increased

**Customer bases growing**

**COMMANDER**

Core Proposition:  
Trusted brand. Bundles  
telecoms services with  
equipment for SMBs and  
small corporates.

Brands strengthened through  
targeted marketing campaigns &  
brand “refreshes”

Expanded national dealer networks, armed with  
additional and more competitive offerings

Introduced M2 culture, team benefits programs and  
consolidated operational functions in M2’s Adelaide  
SMB “Centre of Excellence”



# Acquisitions in FY10 : Clever + Bell Networks



Two complementary, SMB focused acquisitions were announced in late FY10

	Clever Communications Business Assets (selected)	Bell Networks
<b>Date of completion</b>	1 <sup>st</sup> May 2010	3 <sup>rd</sup> August 2010
<b>Total consideration</b>	\$5 million	\$4.015 million
<b>Primary assets acquired</b>	SMB customer contracts	SMB customer contracts
<b>Core business focus</b>	SMB customers	SMB customers
<b>Revenue (approx, annualised)</b>	\$8 million	\$13 million
<b>EBITDA (approx, annualised)</b>	\$2.3 million	\$2 million
<b>EBTIDA purchase multiple</b>	2.2 x	2 x

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# Priorities for FY11



Prepare for implementation of new Business Support System (“BSS”)

Complete business-grade data networks consolidation

Continue to expand sales channel reach and per-dealer performance output

Increase output from cross-sell / up-selling to existing customers

Actively explore further complementary acquisitions and strategic alliances

Position M2 to take advantage of potential industry structural changes



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# Key Investment Metrics (@ 27 Aug '10)



No. of Shares	121,548,195
No. of Options	3,020,000
Share Price	\$1.75 (@ 27 Aug '10)
Market Capitalisation	\$213 million
Dividend Policy	70% x NPAT
FY09 Dividend	5.5c
FY10 Dividend	10.0c
Forward Div Yield <small>(based on FY11 Guidance)</small>	7.49% (ff)
Forward PE Multiple <small>(based on FY11 Guidance)</small>	9.3 x
Forward PE Multiple <small>(underlying)</small>	8.2 x
Substantial Institutional Shareholders	Hunter Hall
	Pengana Capital



# Contacts



Name	Position	Phone / Email
Vaughan Bowen	Managing Director / CEO	03 9674 6555 / <a href="mailto:vaughanbowen@m2.com.au">vaughanbowen@m2.com.au</a>
Darryl Inns	Chief Financial Officer	03 9674 6520 / <a href="mailto:darrylinns@m2.com.au">darrylinns@m2.com.au</a>
Kellie Dean	Company Secretary	03 9674 6577 / <a href="mailto:kellied@m2.com.au">kellied@m2.com.au</a>
Debra Mansfield	Corporate Communications Manager	03 9674 6569 / <a href="mailto:debram@m2.com.au">debram@m2.com.au</a>

[www.m2.com.au](http://www.m2.com.au)





*Thank you*