

M2 2011 Annual General Meeting



Vaughan Bowen, Managing Director / CEO
(incoming Executive Director)

28 October 2011

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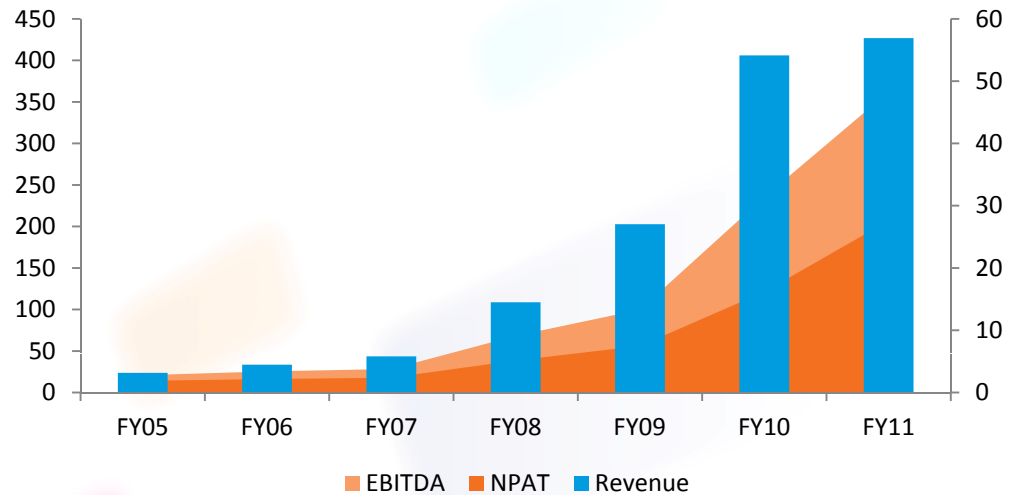
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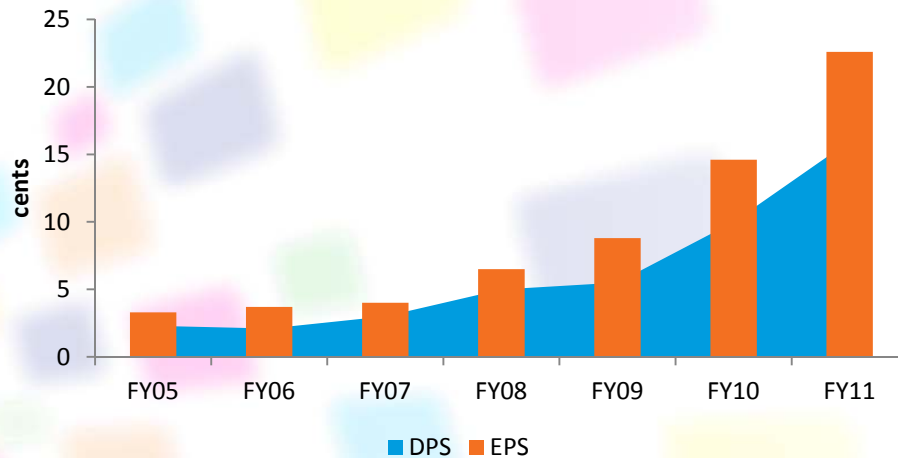
Consistent delivery of growth

More than 1200% growth in EBITDA since ASX listing in Oct 2004

Revenue, EBITDA & NPAT growth (\$m)



DPS & EPS growth



More than 700% growth in DPS & EPS since ASX listing in Oct 2004



FY11 – financial highlights

- Record results across the board:
 - EBITDA up 54% on previous corresponding period to \$48.3 million
 - EBITDA margin (EBITDA as % of revenue) increased by 47% to 11.3%
 - NPAT up 72% to \$27.6 million
 - EPS up 56% to 22.6 cents
 - DPS up 80% with a 9 cent final dividend, 16 cent dividend for FY11
- Profit growth driven primarily organically, via:
 - Gross margin improvement through improved wholesale purchasing
 - Realisation of operating cost efficiency benefits

Financial Position Summary @ 30 June '11

- Net debt \$17.2 million
- Balance sheet strength positions M2 well for further acquisitions
- Strong operating cash flows
- Collections remain strong across the Group / low level of bad & doubtful debts



FY11 – Key operational achievements

- Substantial operational cost rationalisation and business efficiency gains
- Completion of M2-specific customisation and training for new Business Support System (“Ninja”)
- Across-the-board improvements in customer satisfaction levels / Net Promoter Scores (“NPS”). Southern Cross Telco stand-out M2 brand with NPS of +48
- Customer base acquisitions, included Clear Telecom and Austar Mobile
- NBN trial sites “live”
- CEO transition plan implemented on schedule



Acquisitions and opportunities

- Acquisitions have become a core competency (12 acquisitions since mid-2007)
- Proven track-record of value acquisitions, effectively integrated
- Acquisitions, both “bolt-on” and complementary (product/service extensions) sought
 - Bolt-on acquisitions deliver scale in existing/core service areas
 - Complementary acquisitions broaden product/service suite and deliver cross-promotional opportunities
- Vaughan Bowen, in new role as Executive Director, to lead acquisition / non-organic growth strategy

Key Investment Metrics

No. of Shares (at 28 Oct '11)	124,493,385
Share Price (at 27 Oct '11)	\$2.80
Market Capitalisation	\$348 million
Dividend Policy	70% NPAT
FY11 Dividend	16.0c
Forward PE (based on FY12 guidance)	11x
Substantial Shareholders (>5%)	Hunter Hall Pengana Capital Cornish Group Vaughan Bowen

- M2 admitted into S&P/ASX300 in September
- MTU share register comprised of 20+ institutional shareholders (Australia, New Zealand & Asia) and 4000+ retail shareholders

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Geoff Horth, COO/Incoming CEO

28 October 2011

Guidance FY12

\$m	FY11(a)	FY12 Guidance	% Change (from midpoint)
Total Revenue	426.8*	380 – 420	Down 6%
Customer Revenues	375	380 - 420	Up 7%
EBITDA	48.3	58 – 62	Up 24%
EBITDA Margin (EBITDA / Total Revenue)	11.3 %	15%	Up 33%
NPAT	27.6	30 – 34	Up 15%
NPAT (underlying**)	31.3	34 – 38	Up 15%
EPS (cents per share)	22.6	24 – 28	Up 15%
EPS (cents per share, underlying**)	25.3	27 – 31	Up 15%

*Total Revenue in FY11 included approximately \$55m in very low margin revenues, relating to the Edirect business prior to its acquisition by M2 in March 2011. Following M2's acquisition of Edirect, these revenues ceased and therefore do not figure in FY12 guidance. The resulting effect of this revenue elimination is a marked increase in FY12 profit margins versus FY11

** Underlying NPAT and EPS guidance each include an add-back of a non-cash cost of \$3.7 million, comprised of amortisation costs associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards)

Scale Benefit

- Focus on operational efficiency following large-scale acquisitions in 2009
 - 8 support centres consolidated into 3
 - Reduced like-for-like operational headcount by 40%
- Improved key customer satisfaction metrics
 - Halved revenue churn in People Telecom and Commander
 - Improved Net Promoter Scores across all key retail brands, with Southern Cross Telco the stand-out achiever at +48
- FY12 is final stage of this journey – 3 become 1
 - 24/7 Support Centre relocated from North Ryde to Hobart at end of Sept '11
 - Adelaide contact centre relocated to Hobart end of Dec '11
 - Circa \$3 million in associated costs in H1 FY12 with <12 month pay back
- Australian based customer support a key differentiator for core SMB target market, scale benefit key to sustaining this advantage

“Ninja” – Operating Efficiency

- Since late FY09 sustained focus on improving efficiency of operations:
 - Constant process review
 - System consolidation completed, taking 8 billing systems to 3
- Commencing final phase in FY12: 3 billing systems become 1
 - New Business Support System selected in FY11, named “Ninja” via M2 team-wide naming competition
 - Completely customised to M2’s specific requirements
 - Deployment in three phases, with phase one scheduled for Nov ‘11
 - Ninja to deliver business-wide billing, provisioning, customer support, web-based customer care, dealer support tools etc
 - Material savings in operating costs, efficiency improvements, product design flexibility and speed to market

A solid foundation for growth

Brand Consolidation: focus activities around key brands

COMMANDER.

SME – trusted local advisor



Consumer – Service led

m2wholesale

Better than

BLACK+WHITE™

New Zealand

A solid foundation for growth

- Expand inside sales team by 40%
- Consolidate channel programs, improve cut through, deepen engagement
- Invest in appointment setting capabilities
 - Reduce time spent by channel finding opportunities to sell:
“see more people, do more deals”
- Improve organic growth trajectory to build on current fractional SMB market share (presently <5%)

Looking to the future – Next generation

- Active process around exploring complementary next generation technologies
 - IP/Hosted Voice
 - Video Collaboration
 - Storage/Backup
 - Software as a service
- Review suitability of Build/Buy/Partner

Looking to the future - NBN

- Exploring NBN access scenarios
- Participating in trials in partnership with Telstra Wholesale
 - Customers in all mainland trial sites
 - 100% customers experienced an improvement in speed and reliability of service
 - 80% of customers would recommend service to friends/colleagues
- M2 “match fit” for NBN
 - No stranded assets
 - Accustomed to reseller margin

FY12 Priorities Summary

- Continued focus on driving efficiency and earnings margins
- Service a key differentiator, focus on improving customer advocacy
- Invest to ensure we maximise depth and breadth of channel

More of the same - be better at accessing and servicing our core target markets

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Thank you

