



FY12 Results Presentation

M2 Telecommunications Group Ltd



Geoff Horth, CEO
27 August 2012

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PRESENTATION CONTENT

-  ***The Numbers***
-  The M2 Business
-  Looking forward

Tenth year of record profits

\$m	FY12	FY11	Change
Revenue	393.5	427.9	Down 8%
Customer Revenue ¹	393.5	375.0	Up 5%
EBITDA	60.1	48.3	Up 24%
EBITDA Margin	15.3%	11.3%	Up 35%
NPAT	33.0	27.6	Up 20%
NPAT (underlying ²)	38.1	31.3	Up 22%
EPS (cents per share) ³	25.9	22.6	Up 15%
EPS (cents per share, underlying ²) ³	29.8	25.3	Up 18%
Final Dividend (cents, fully franked)	9	9	-
Dividend Paid / Payable ⁴	25.3	19.8	Up 28%

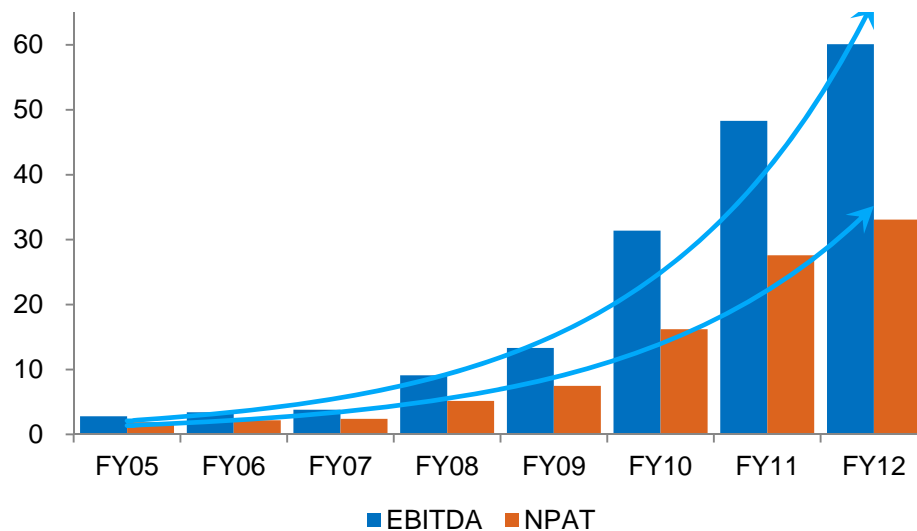
¹ Customer revenue excludes non-margin generating revenue associated with the Edirect acquisition

² Underlying NPAT and EPS figures each include an add-back of a non-cash cost of \$5.1 million for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards)

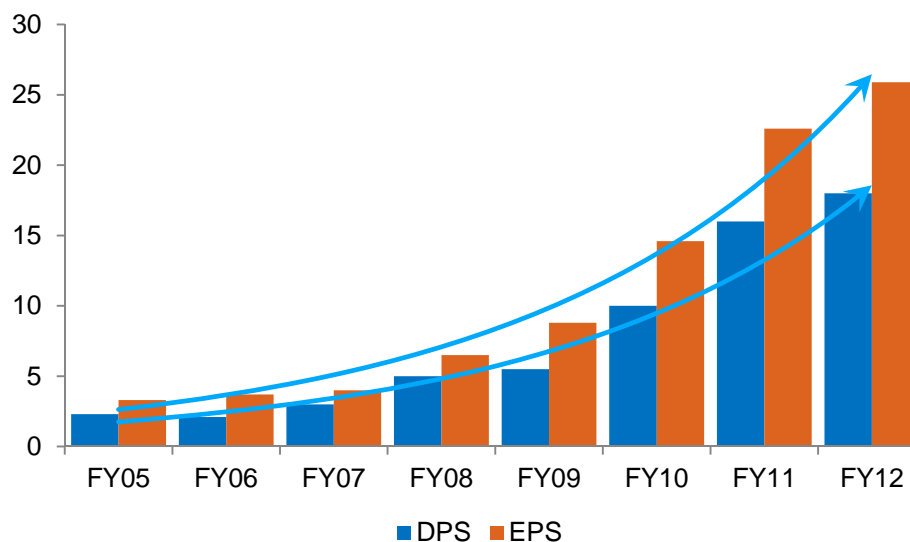
³ Calculated using the volume average weighted number of shares

⁴ Full year dividends paid or payable, with FY12 calculated at 24 August 2012

Consistent earnings growth



Year-on-year growth in EBITDA and NPAT, demonstrating continued focus on cost reduction and ability to deliver on acquisition synergies.



Returns to shareholders remain a focus, with record dividends per share and earnings per share.

Balance Sheet

\$m	30 June '12	30 June '11
Cash at bank	25.0	12.5
Other current assets	82.1	60.9
Goodwill/Intangibles	299.4	116.6
Other non-current assets	64.8	11.4
Total Assets	471.3	201.4
Borrowings (current)	22.3	12.5
Other current liabilities	112.6	68.7
Borrowings (non-current)	127.9	17.3
Other non-current liabilities	19.7	9.1
Total Liabilities	282.5	107.6
Net Assets	188.8	93.8
Net debt	125.2	17.3

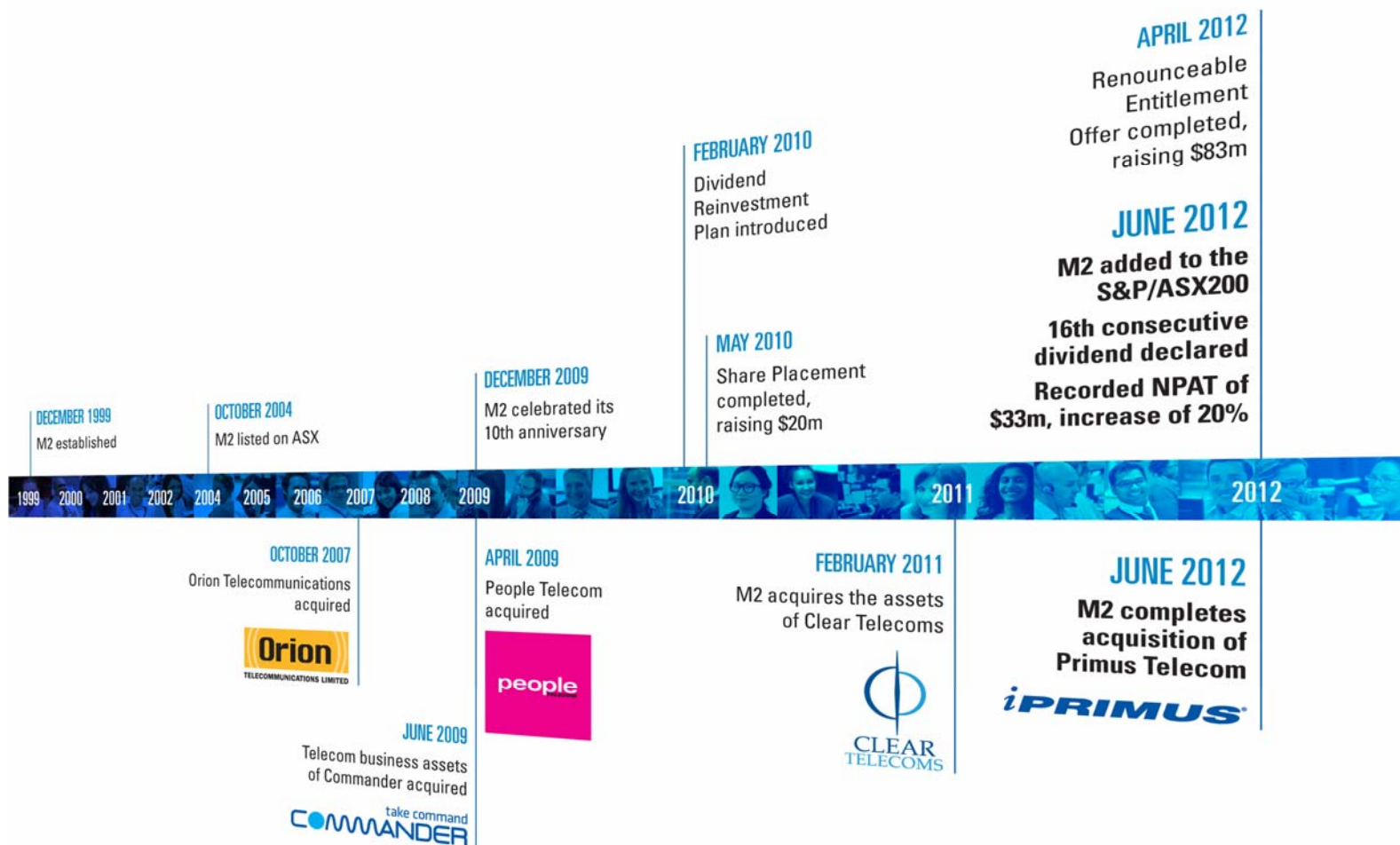
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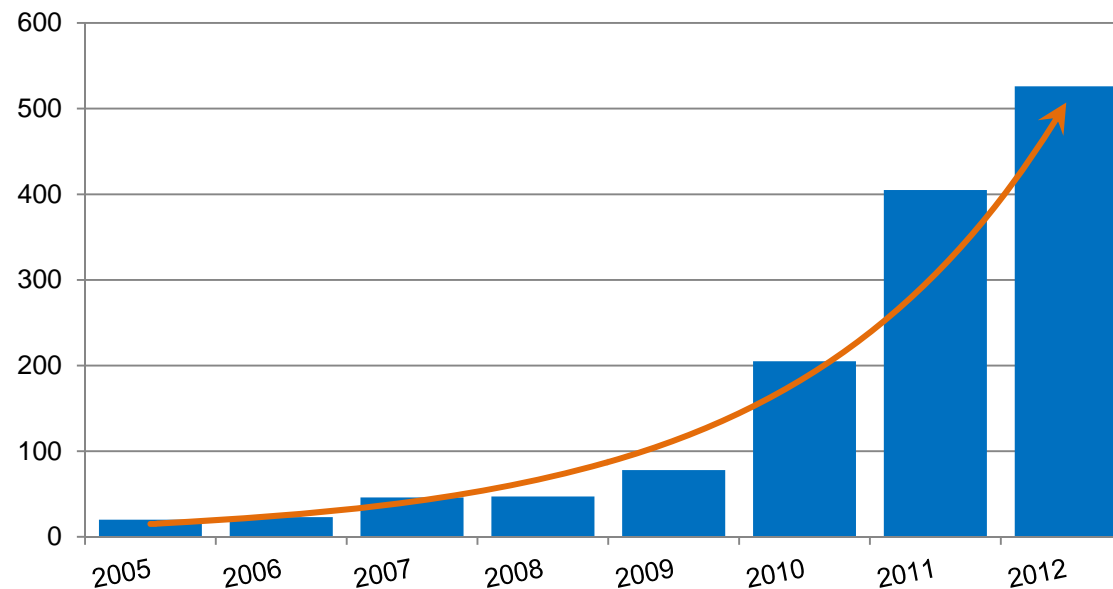


Key Company events



Growth as a public company

Market Capitalisation



- Increase in market capitalisation from \$14 million to \$556 million since listing in October 2004 (@ 24 Aug '12)
- Consistently maintained dividend at 70% of NPAT

FY12 Achievements

Retail

- ✓ Consolidation of our dealer channel under the Commander brand, with record sales results achieved
- ✓ Creation of our appointment setting capability: dedicated contact centre team generating highly qualified appointments with SMBs for the Commander dealer channel
- ✓ Inside Sales Team growth: expanded specialist team, contacting current customers to increase product penetration and reduce churn

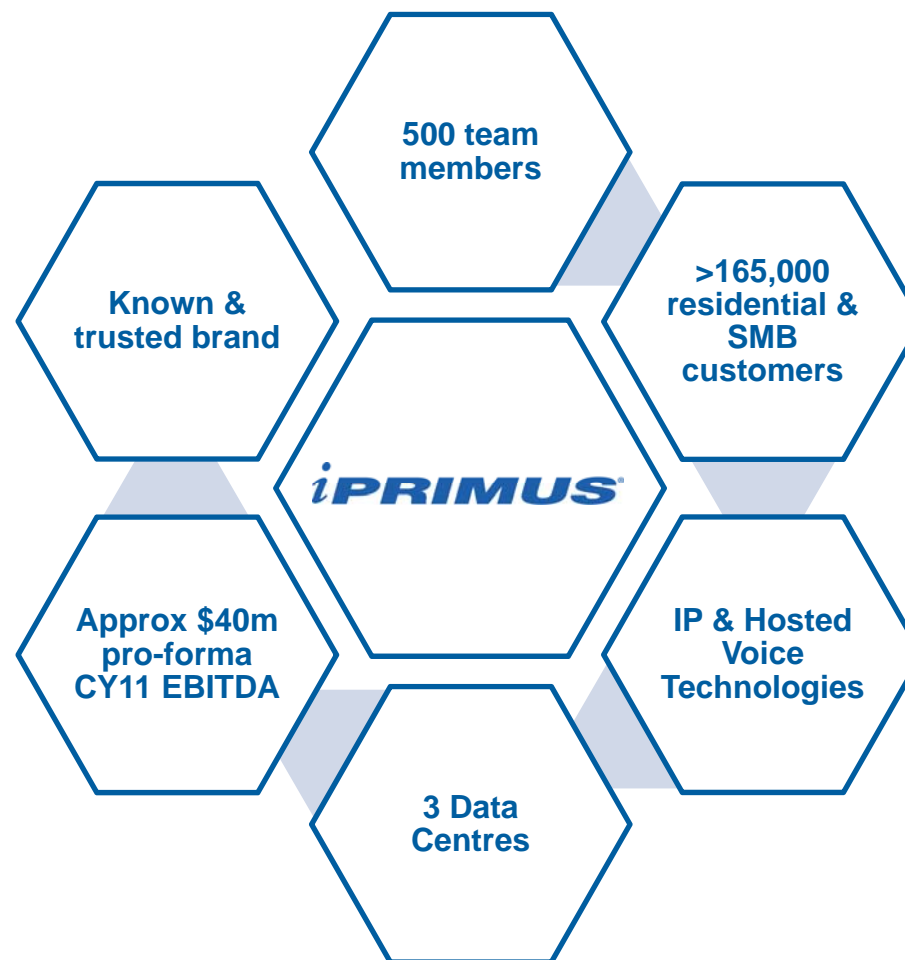
Wholesale

- ✓ M2Wholesale “Defend and Extend” strategy implemented, with many existing customers recontracted and new customers won

Customer

- ✓ Consolidation of our Adelaide contact centre into our Hobart “Centre of Excellence”
- ✓ On-budget deployment of phase one of “Ninja”, our next generation Business Support System which provides billing, provisioning and customer support

The acquisition of Primus






Primus Integration Achievements

- ✓ Secured employment of key executive and senior management team members to ensure continuity of operations and retention of key business intelligence
- ✓ Business unit and functional strategies refined to ensure continued focus on the core earnings-contributing markets of SMB and Consumer
- ✓ Corporate reorganisation communicated to all team members within one week of completion
- ✓ Premises consolidation completed for Melbourne headquarters within two weeks of completion; Sydney consolidation completed within two months
- ✓ Improvements in service levels arising from process redesign and load sharing across the Hobart and Melbourne contact centres
- ✓ Key synergy realisation initiatives commenced, with ongoing monitoring and control process implemented



The New M2

	RETAIL		WHOLESALE
	SMB	RESIDENTIAL	
<i>Brand</i>			
<i>Proposition</i>	Local Presence, Superior Customer Service, Account Management, Managed voice and data services	Value and certainty, Superior Customer Service (three times Roy Morgan award winner)	A true partner for business growth with value-added advisory services
<i>Path to market</i>	2-20 seats via National Dealer Network, supported by sizeable Inside Sales Team, 21-200 seats via National direct sales team	Targeted local area marketing approach to leverage strength in on-net areas	Direct Sales
<i>Objective</i>	Grow	Retain and lead new markets (eg NBN)	Grow
<i>Customer Characteristics</i>	2-200 seat businesses up to \$500,000 per annum spend	Suburban families with a minimum of two telecoms products	Reseller service providers with \$1-10 million per annum spend

M2 & the NBN



- Actively selling NBN today
- Achieved certification for all NBN products (wireless, satellite and fibre)
- M2 is the first reseller service provider to connect a customer via the NBN Business-to-Business Gateway
- M2 is the lead partner in the NBN Voice Product Development (UNIV Enhancement) Program
- Point Of Interconnect (“POI”) selection considers:
 - Demographic profile
 - Capex and opex to access
 - Addressable market
- Low cost channels, laser marketing (direct mail etc)
- Test multiple marketing / sales combinations including outbound telemarketing and door to door

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Strategic Pillars

- Continue investment in small business market, grow share of market and wallet
- Maintain consumer earnings and look for growth in new markets (NBN)
- Focus Corporate organisation on medium business segment (20-200 seats), to drive managed voice and data services
- Be Number 1 in customer satisfaction
- Aggressively pursue synergies and operational efficiency



FY13 Guidance

\$m	FY12(a)	FY13 Guidance	% Change (from midpoint)
Revenue	393.5	610-650	Up 60%
EBITDA	60.1	108-118	Up 88%
EBITDA margin	15.3%	17.9%	Up 17%
NPAT	33.0	43-48	Up 38%
NPAT (underlying*)	38.1	55-60	Up 52%
EPS (cents per share)	25.8	27-30	Up 13%
EPS (cents per share, underlying*)	29.8	35-38	Up 24%
Capex (as % of revenue)	1.3%	3.0%	Up 131%
Free Cash Flow	36	51-56	Up 53%

* Underlying NPAT and EPS figures each include an add-back of a non-cash cost of \$5.1 million (FY12) and \$12.4 million (FY13) for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards)

Key Investment Metrics

Dated 24 August 2012

No of Shares on issue	156, 581,954
Share Price	\$3.55
Market Capitalisation	\$556m
Dividend Policy	70% NPAT
Final FY12 Dividend	9c
Dividend Yield	5.07%
PE Ratio	13.75
PE Ratio (underlying)	11.91



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THANK YOU