

Date: 24 February 2021

The Manager
Market Announcements Office
Australian Securities Exchange Limited
20 Bridge St
Sydney NSW 2000

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Dear Sir or Madam,

ASX Release and Investor Presentation – Half year ended 31 December 2020

Vocus Group Ltd (ASX: VOC) today provides the attached ASX Release and Investor Presentation for the half year ended 31 December 2020.

A webcast for investors will be held at 10.00am today and can be accessed at <https://vocusgroup.com.au/investors/>

Authorised for release by:

A handwritten signature in black ink, appearing to read "Simon Lewin".

Simon Lewin
Company Secretary

24 February 2021

Vocus turnaround complete, moves into growth and investment stage

- **Three-year turnaround complete ahead of schedule, VNS guidance upgraded**
- **Strong momentum in Vocus Network Services: Recurring Revenue +11%**
- **Consistent growth in New Zealand +5%, IPO preparation progressing steadily**
- **Vocus moves into investment and growth stage**

Vocus Group Limited ("Vocus", ASX: VOC), Australia's specialist fibre and network solutions provider, today announced that the company's three-year turnaround program is complete, with strong momentum in Vocus Network Services (VNS) as the company moves into a stage of investment and growth.

Group Managing Director and CEO Kevin Russell stated, "Vocus' first half FY21 results clearly demonstrate the company's strong financial performance, strong operational performance, and that we are executing a clear and consistent strategy. We can confidently say that our three-year turnaround program is complete ahead of schedule, and the company is now moving into a new stage of investment and growth".

"Fibre is the critical infrastructure of the modern economy, and Vocus' high-capacity, highly-secure fibre network is key to our momentum in market. Only Vocus has an Australian-owned and dedicated secure intercapital fibre network, with a wholly-owned cable system to South East Asia. Our network assets are scalable to meet both current and future market requirements, with a clear technology upgrade path and the operational expertise to meet future demand."

"Consistent with the strategy outlined since 2018, Vocus Network Services has solidified its position as the core growth engine of the company with 11% recurring revenue growth and 8% EBITDA growth for the half. VNS continues to win larger customers with higher contract value, with an increasing presence in the Federal Government market. We're investing in our network to deliver capacity upgrades, as well as constructing the first Low Earth Orbit (LEO) Satellite ground stations in Australia, leveraging Vocus' extensive high-capacity regional fibre footprint."

"New Zealand continues to be a strong and stable performer, delivering 5% revenue growth for the half and record growth of 11% in Consumer and Business. Our acquisition of Stuff Fibre is on track to meet integration targets, and we secured a major new wholesale customer in Sky Broadband. Preparations for an IPO of the New Zealand business are progressing well, and the proceeds will enable us to make strategic investments in our network and capability."

"The Retail business turnaround continues to show solid progress with the Consumer business returning to growth during the half. We've seen SIO growth across NBN and mobile, along with ongoing cost reductions of 9%. Consistent operational improvements in the Retail business are reflected in the latest customer service results, which showed our Dodo brand as having the lowest level of customer complaints of all major retailers."

Mr Russell also used the H1 results announcement to outline Vocus' capital allocation framework, pending the completion of the New Zealand IPO. "Our three key priorities post-NZ IPO are to invest to capitalise on key market opportunities in Vocus Network Services, to maintain a net leverage ratio of below 2.5x net debt to EBITDA, and to consider a sustainable dividend policy," he said. Additional information on the framework will be provided after the completion of the NZ IPO.

Group Performance

Vocus Network Services delivered strong recurring revenue growth of 11% for the half, and EBITDA grew by 8% driven by higher margin data network revenues. Data networks grew by 8% (up from 3% in FY20) with data network revenues accounting for 63% of VNS recurring revenues and 77% of VNS gross margin.

New Zealand continued to deliver consistent growth in the half, with revenue and EBITDA up by 5% (NZD). The successful integration of Stuff Fibre helped the Consumer and Business division grow by 11%, with the underlying EBITDA growing by 5% largely driven by organic growth in UFB and bundling of energy services.

Vocus Retail continues to be on-track in its turnaround trajectory, with Consumer revenue returning to growth of 1% (compared to a 3% decline in FY20) and overall revenues declining by 6% in the half compared to 9% in FY20. Disciplined cost control led to 9% reduction in overheads for the half. Business continues to navigate the decline in legacy which has lagged the Consumer transition from legacy to current products. EBITDA declined 20%, a slight improvement from 22% decline in FY20.

Outlook

Vocus has updated its FY21 guidance to:

Vocus Network Services

- Recurring revenue growth +8% (up from +5%)
- Underlying EBITDA growth +10% to +12% (up from +8% to +12%)

Vocus Group

- Underlying EBITDA \$382m to \$397m (unchanged)
- Capex range \$185m to \$200m (up from \$160m to \$180m)
- Net leverage ratio continues to reduce

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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.



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H1 FY21 Financial Results

24 February 2021

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Three-year turnaround complete ahead of schedule

1

Strong financial performance

2

Strong operational performance

3

Clear and consistent strategy

Vocus moving from **turnaround** into **investment and growth**

VNS strongly positioned to capitalise on accelerating market trends

Digitisation and cloud driving capacity demand

Demand for highly secured networks, especially in Government

Increasing customer demand for speed and agility in service delivery

Hybrid work environment post COVID, requiring flexible utilisation of the network

Geo-political environment driving demand for Australian owned fibre infrastructure

Existing scalable national network

- Separate NV1 secure
- Upgrade key routes to 400G wavelengths in FY22
- Scalable up to 50x existing provisioned capacity

H1 FY21 Highlights – Vocus Network Services

Growing and winning larger customers with larger contract value

- Secured and upgraded largest Federal government customer contract
- Won Australian Tax Office data network
- Total Contract Value won in Wholesale +41% on pcip (excluding growth in NBN)

Operational improvements

- 25% reduction in on-net delivery times
- 21% reduction in tech support calls
- Customer experience improving – NPS +49 (up 15 from pcip)

Network investments

- Terabit Territory: ~30x capacity upgrade Adelaide-Darwin-Brisbane
- Constructed first connected Low Earth Orbit (“LEO”) Satellite ground stations in Australia

H1 FY21 Highlights – New Zealand and Retail



New Zealand

Stuff Fibre integration on track to meet synergy targets

Major new Wholesale customer in Sky Broadband

Secured major data centre contract for global OTT

Record growth in Consumer

IPO preparations progressing well



Retail

Consumer revenue returns to growth

SIO growth in NBN and Mobile

Ongoing customer service improvements – lowest TIO complaints of major multi-service RSPs

Overhead reduction of 9%

Financial Results

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Vocus Group P&L

\$m	H1FY21	H1FY20	% change
Recurring revenue	896.0	876.4	2%
Vocus Network Services	340.2	305.7	11%
New Zealand	195.8	188.5	4%
Retail	360.0	382.2	(6%)
Large Infrastructure revenue	1.4	25.5	nm ²
Statutory revenue	897.4	901.9	(1%)
Direct costs	(507.8)	(508.9)	0%
Gross margin	389.6	393.0	(1%)
Overheads	(196.8)	(202.8)	(3%)
Underlying EBITDA¹	192.7	190.2	1%
Statutory EBITDA	188.1	181.2	4%
Underlying NPAT¹	45.4	51.1	(11%)
Statutory NPAT	19.1	12.8	49%

Strong momentum in Vocus Network Services delivering 11% recurring revenue growth in the first half

Consistent growth in New Zealand of 4% (AUD)

The Australian Retail business continues to improve as revenues in Consumer return to growth and overall rate of decline stable at -6%

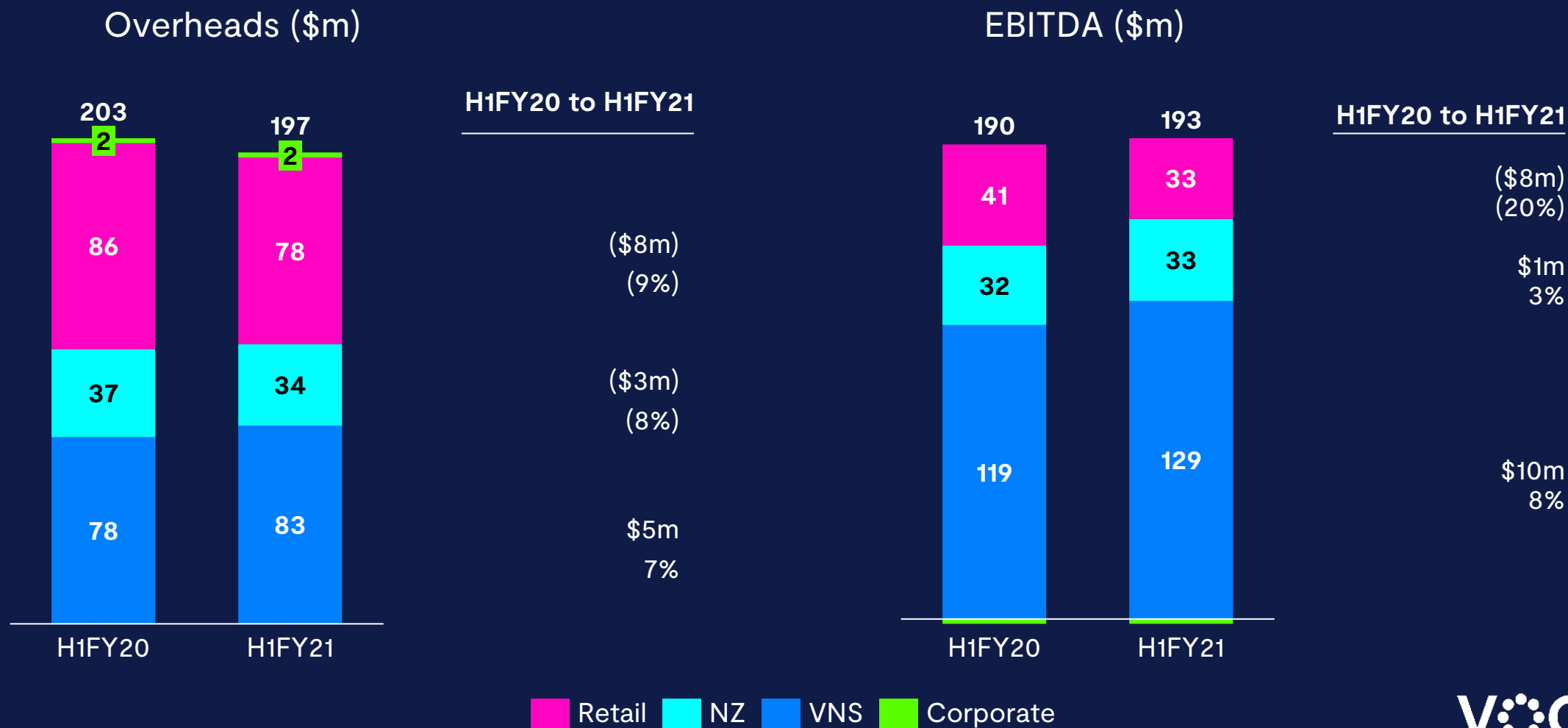
Large Infrastructure revenue lower as the Coral Sea Cable construction concluded in the prior year

Disciplined overhead reductions has enabled growth in Vocus EBITDA

Significant growth in statutory NPAT from the reduction of amortization related to historic acquisitions. Underlying NPAT impacted by higher investments and resultant D&A

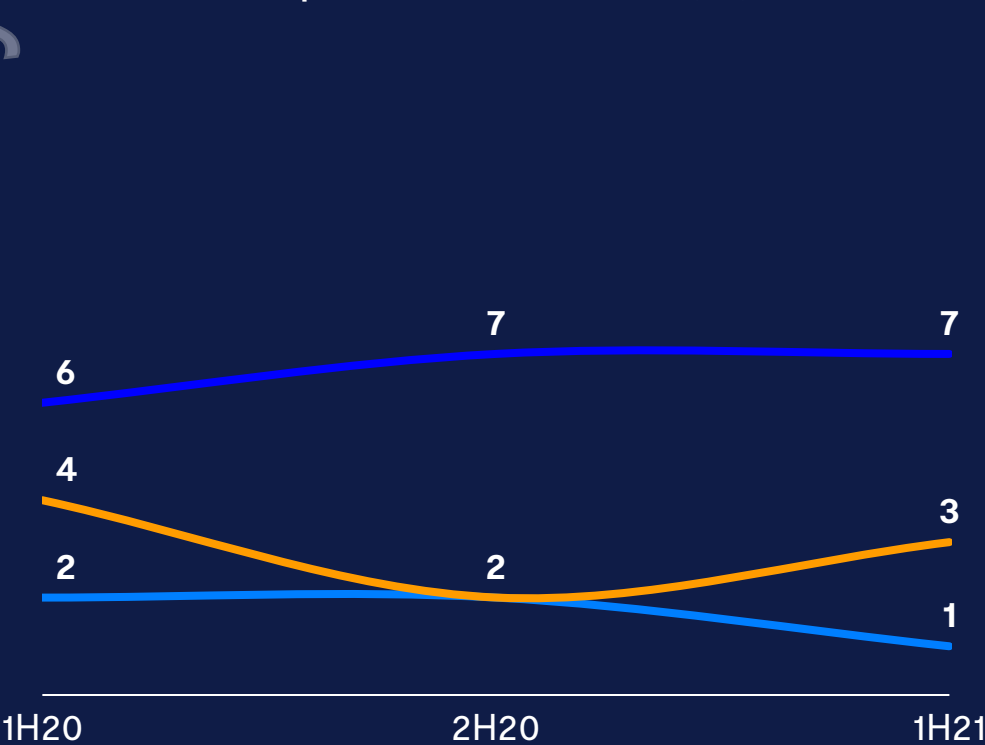
Operating leverage continues to improve

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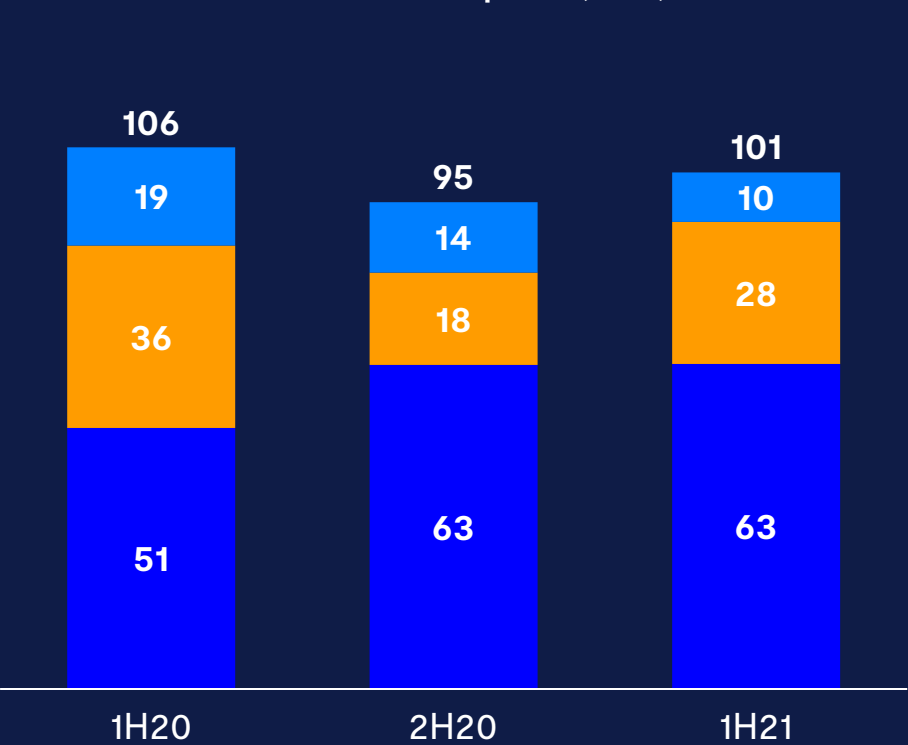


Continued investment in growth and modernisation

Capex to sales ratio (%)



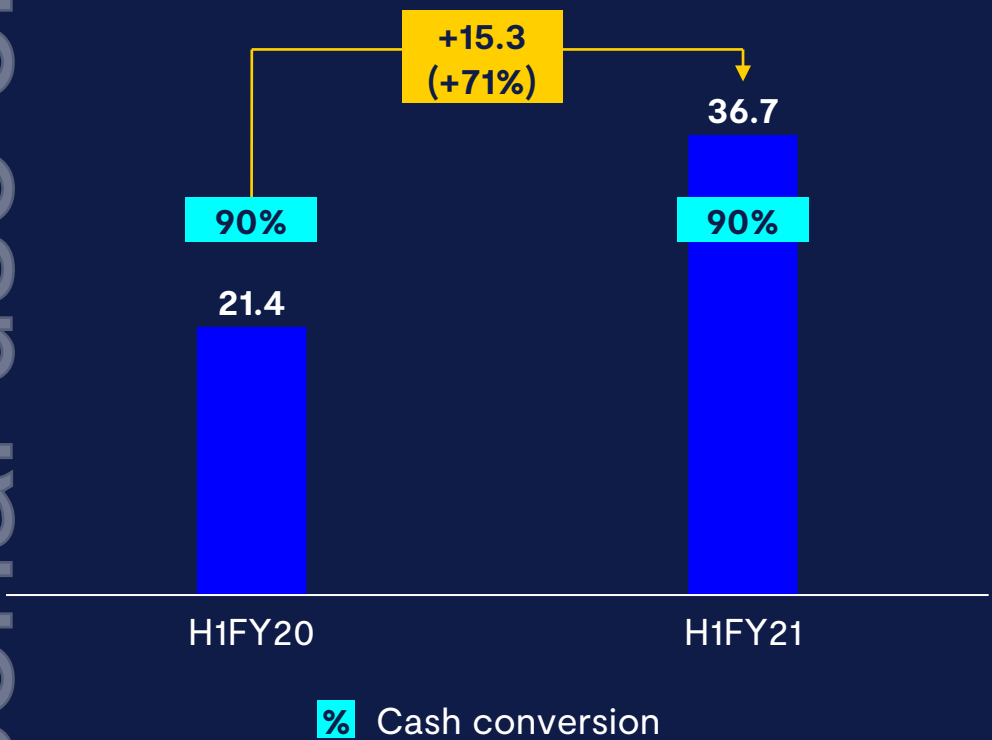
Cash Capex (\$m)



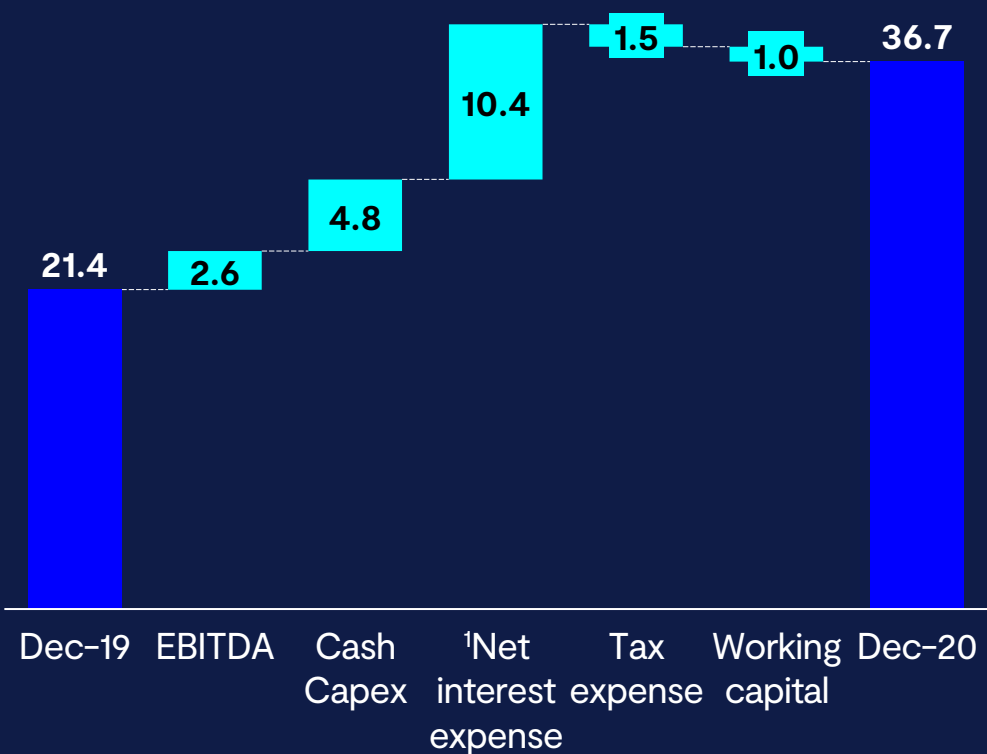
■ Growth ■ Maintenance ■ Modernisation

Strong operating free cashflow and cash conversion

Operating free cashflow and cash conversion (\$m, %)



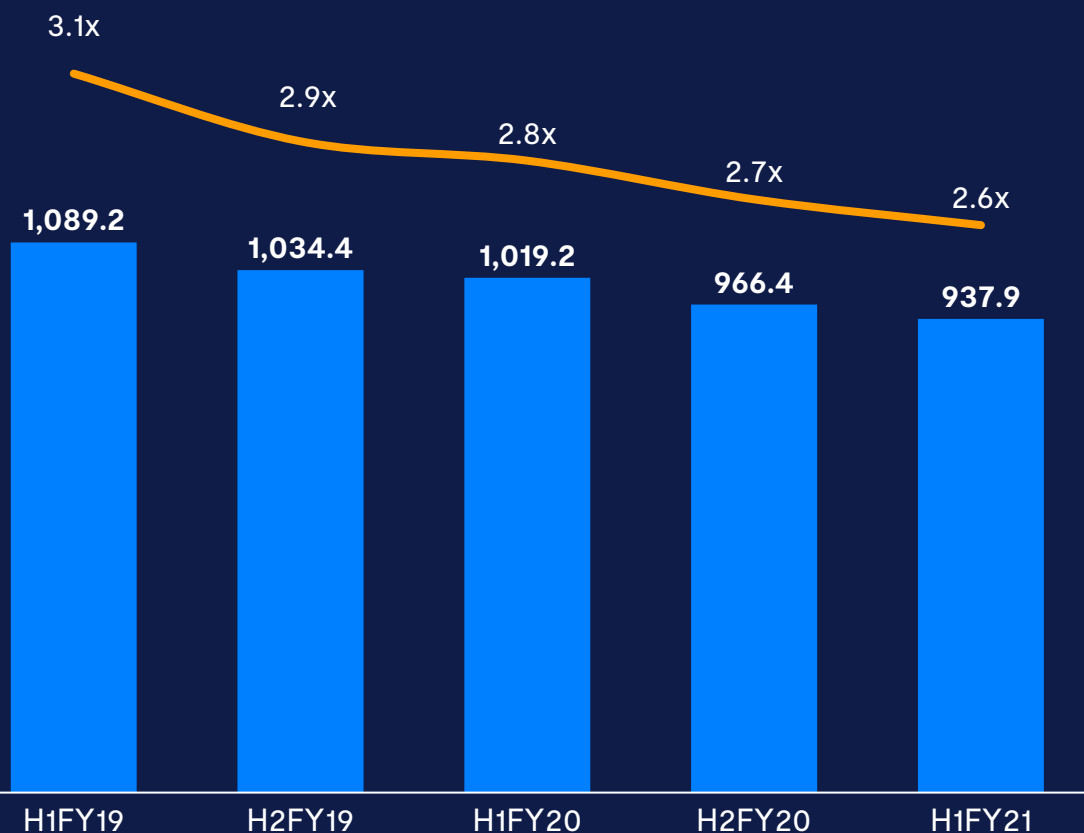
Operating free cashflow bridge (\$m)



¹⁰ ¹ Net interest expense timing benefit relates to payment made in previous half related to refinancing activities

Vocus continues to de-lever

Net debt (\$m) & Net leverage ratio (x)



At 31 December 2020, Net Leverage Ratio covenant headroom increased to 0.65x

Leverage is expected to continue to reduce

Strong growth in Vocus Network Services

Vocus Network Services P&L

\$m	H1FY21	H1FY20	% Change
Recurring revenue	340.2	305.7	11%
Data networks	215.6	199.9	8%
NBN	50.5	34.7	46%
Other	74.1	71.1	4%
Large Infrastructure Revenue	1.4	25.5	nm ¹
Total revenue	341.6	331.2	3%
Direct costs ²	129.8	134.3	(3%)
Gross margin	211.8	196.9	8%
Overheads ²	83.1	77.8	7%
Underlying EBITDA	128.7	119.1	8%
Underlying EBITDA margin %	38%	36%	

Recurring revenue growth was very strong at 11%

- Data networks grew 8%, improving from 3% in FY20
- Revenues included the step up from a significant existing customer re-sign at increased TCV in H2FY20 and benefits from enterprise short term data bandwidth increases in the height of the pandemic
- NBN Wholesale revenue grew strongly from Retail partnerships

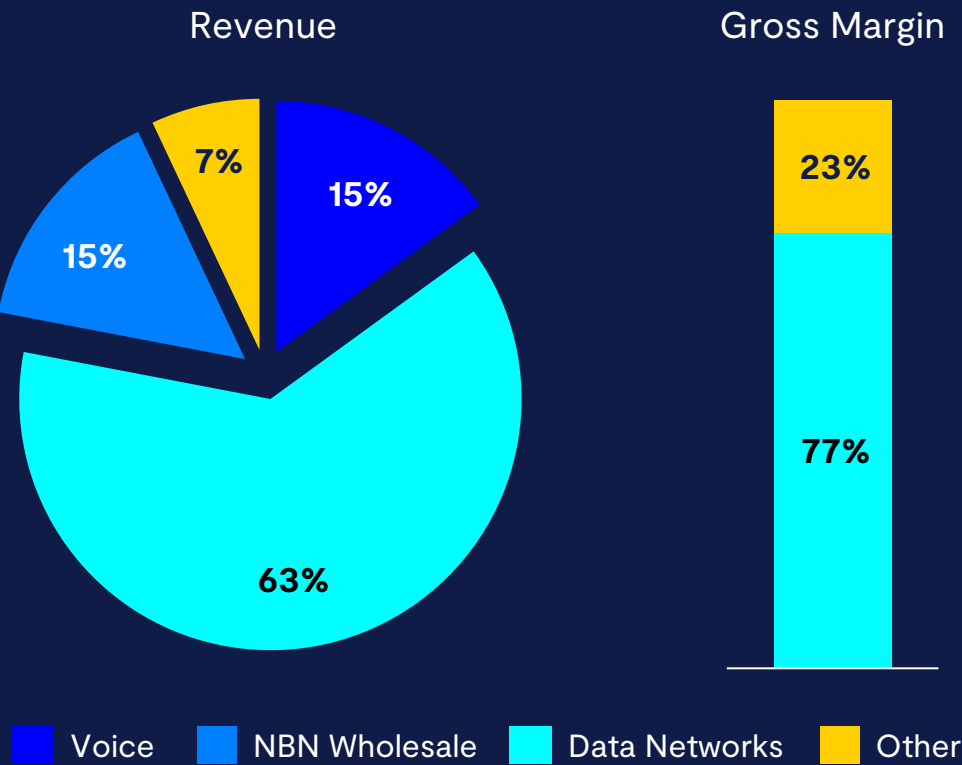
Total revenues grew 3% despite significant reduction in Large Infrastructure Revenue

EBITDA for the half grew 8%

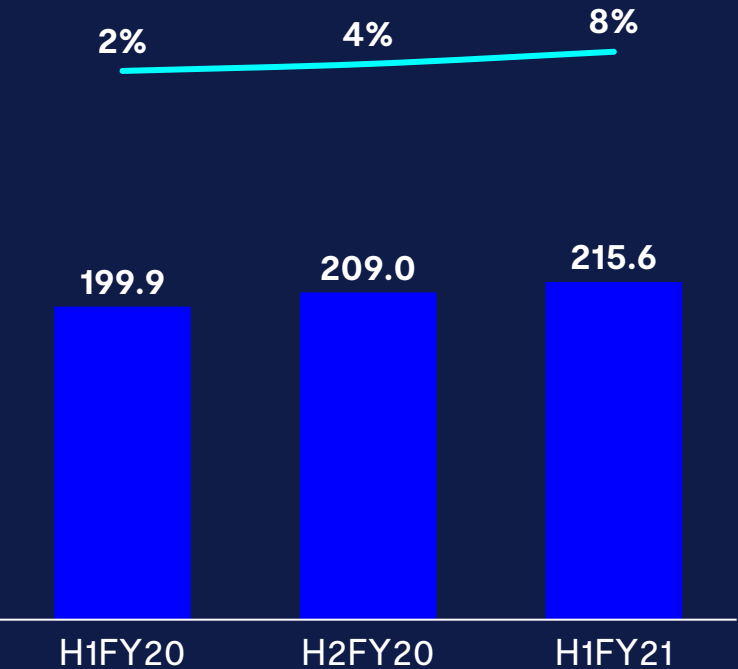
- Gross margin grew 8% driven by high margin data network revenues
- EBITDA margin improved due to a higher mix of recurring revenues in the half

Data Networks revenue is the key driver of VNS profitability

Contribution by Data Networks to VNS¹



Data Networks revenue (\$m, %YoY)



¹ Based on H1FY21 recurring revenue

New Zealand delivering consistent growth

New Zealand P&L

NZD \$m	H1FY21	H1FY20	% change
Revenue	210.0	199.6	5%
Enterprise & Wholesale	64.0	68.3	(6%)
Consumer & SMB	146.0	131.3	11%
Direct costs	137.9	126.5	9%
Gross margin	72.1	73.1	(1%)
Overheads	36.5	39.0	(6%)
Underlying EBITDA	35.7	34.1	5%
Underlying EBITDA margin %	17%	17%	

New Zealand revenue increased by 5%

- Consumer and Business grew 11% from the successful integration of Stuff Fibre while the underlying business grew 4% largely driven by organic growth in Ultra Fast Broadband and bundling of Energy and mobile services
- Enterprise & Government performed well in the half, with Wholesale declining due to the migration away of a wholesale partner. A new partnership with Sky New Zealand is expected to return this segment to growth

Direct cost grew 9% due to higher Energy supply costs which will reduce in H2FY21 from secured lower rates

Overheads continue to decline with ongoing process automation and strong cost management

Underlying EBITDA increased 5% as a result of the Stuff Fibre acquisition, organic customer growth and overhead reductions

Retail Consumer returns to growth, offset by declines in Business

Vocus Retail P&L

\$m	H1FY21	H1FY20	% change
Revenue	360.0	382.3	(6%)
Consumer	307.0	305.1	1%
Business	48.0	68.2	(30%)
Other	5.0	9.0	(44%)
Direct costs ¹	249.5	255.7	(2%)
Gross Margin	110.5	126.6	(13%)
Overheads ¹	77.9	85.7	(9%)
Underlying EBITDA	32.7	40.9	(20%)
Underlying EBITDA margin %	9%	11%	

Revenue declined 6% in the half, an improvement from 9% decline in FY20

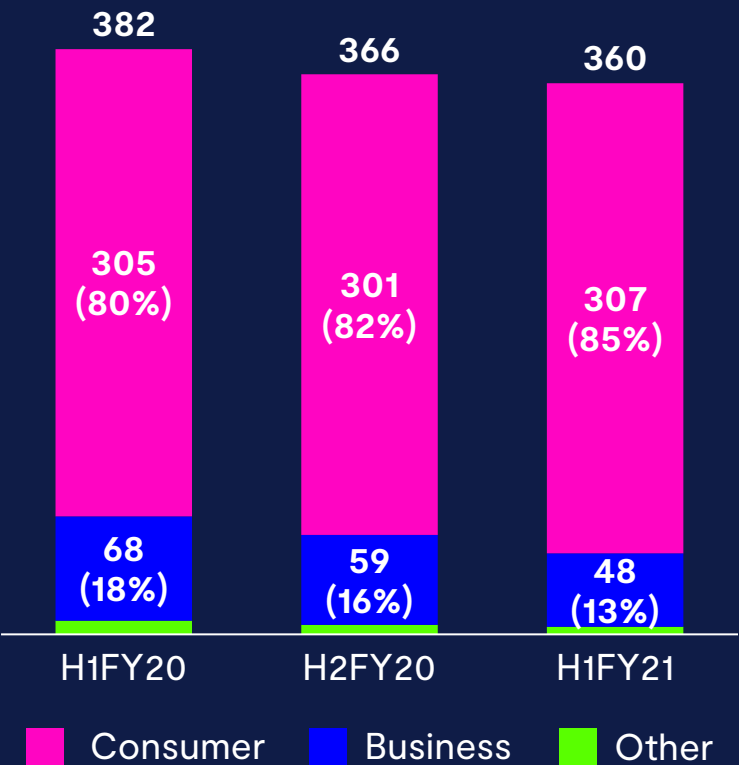
- Consumer revenue returns to growth of 1% (FY20 decline of 3%)
- Business continues to decline, 30% in the half (FY20 decline of 27%)

Continued disciplined cost control resulted in a 9% reduction of overheads for the half and 2% lower direct costs

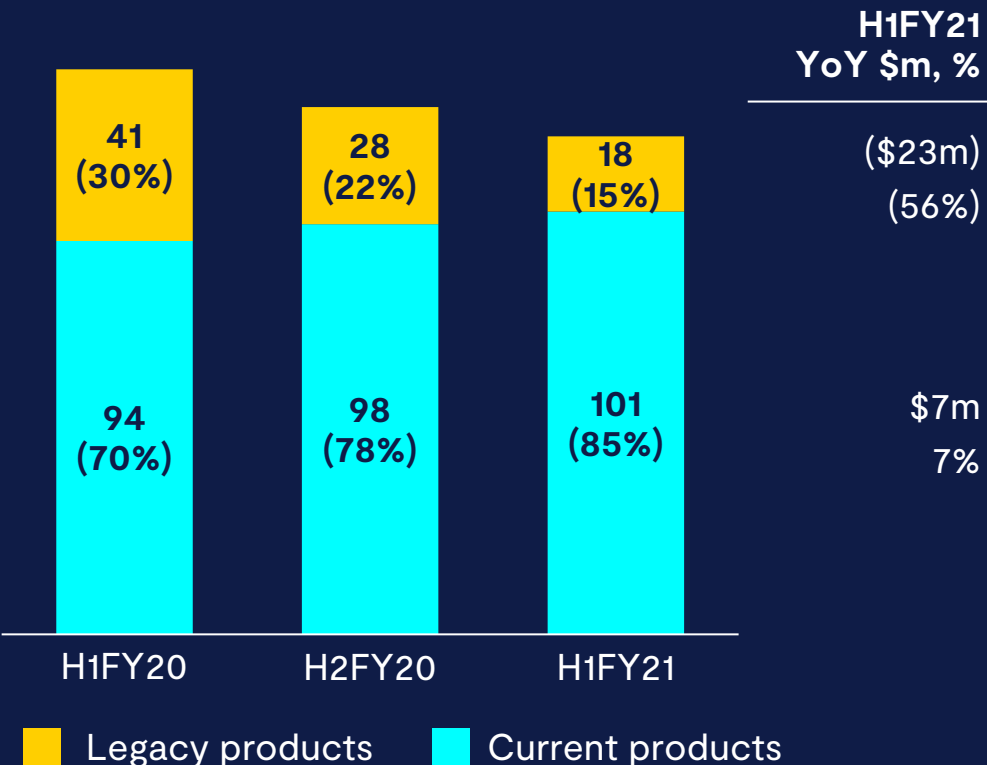
EBITDA declined 20%, slightly improved from 22% decline in FY20

Approaching end of margin headwinds from legacy product decline, predominantly in Retail Business

Segment revenue mix (\$m)



Gross margin (\$m, excludes allocations)



Capital allocation update

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New Zealand IPO update

NZ IPO on track for dual listing on NZX/ASX before the end of FY21, subject to market conditions

The Board intends to exit up to 100% of the NZ business

The NZ business is well positioned for continued growth, reflecting:

Leading broadband challenger operating in attractive markets with a proven track record of growth

Established multi-brand and multi-channel strategy and a clear focus on growth initiatives

High capacity fibre infrastructure and core network supporting growth

Modern technology platforms enabling simplification, digitisation and automation

Consistently growing financial profile with strong cashflow generation

Highly experienced management team with significant expertise in telecommunications markets

Note: Vocus Group is considering an IPO of the Vocus New Zealand business. No money is currently being sought and shares cannot currently be applied for or acquired under the intended IPO. If the IPO is made, it will be made in accordance with the New Zealand Financial Markets Conduct Act 2013



Post-New Zealand IPO capital allocation framework

1

Invest to capitalise on key market opportunities in Vocus Network Services

2

Target leverage ratio below 2.5x Net Debt / EBITDA

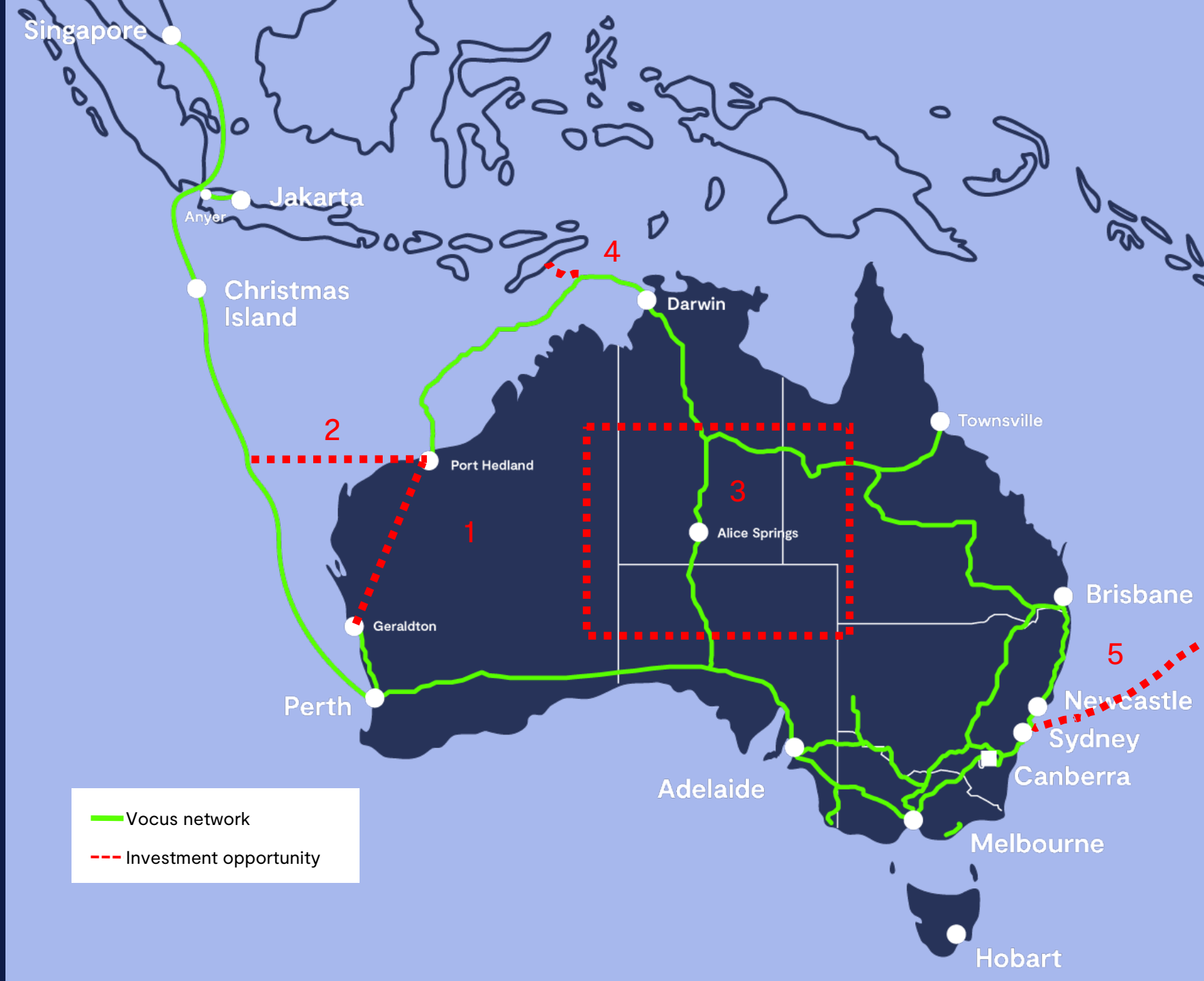
3

Consider a sustainable dividend policy

Additional information to be provided after the completion of NZ IPO

Expand network reach

1. Western Loop
2. Australia Singapore Cable Spur
3. Regional 5G / Low Earth Orbit ("LEO") fibre
4. Indonesia cable
5. East Coast capacity



Guidance and key takeaways

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Vocus upgrades Vocus Network Services guidance

Vocus Network Services

Recurring revenue growth +8% (up from +5%)

Underlying EBITDA growth +10% to +12% (up from +8% to +12%)

Vocus Group

Underlying EBITDA¹ – \$382m to \$397m (unchanged)

Capex range – \$185m to \$200m (up from \$160m to \$180m)

- Of the increase, \$15m-\$20m relates to capex which will be funded by customers in H2FY21

Net leverage ratio continues to reduce

Key takeaways

1

Strongly positioned to benefit from macro market trends

2

VNS winning market share and increasing momentum

3

NZ IPO planned to complete in H2

4

Retail Consumer has returned to growth

5

Upgrading FY21 guidance in VNS
Firmly on track to meet Group FY21 guidance

6

Moving into new phase of investment and growth

Questions?

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Appendix

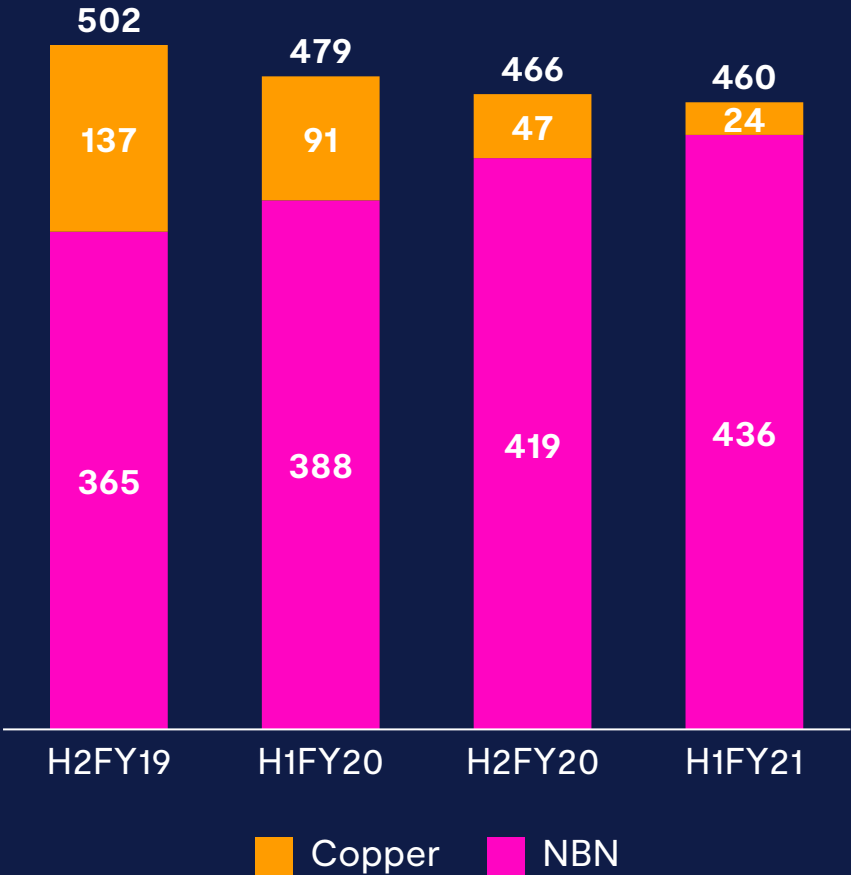


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Vocus Retail – key statistics

Metrics	FY19 H2	FY20 H1	FY20 H2	FY21 H1
Copper ARPU (\$)	55.9	54.6	54.1	52.0
Copper AMPU (\$)	24.6	23.6	22.2	22.3
NBN ARPU (\$)	64.9	67.1	67.1	67.7
NBN AMPU (\$)	22.0	23.7	24.0	23.2
Net Churn – Copper (%)	3.8	4.1	5.0	5.7
Net Churn – NBN (%)	1.8	1.7	1.5	1.4
NBN market share – Retail (excl. satellite) (%)	6.4	5.9	5.5	5.2
Mobile SIOs (000s)	180	193	201	210
Energy SIO (000s)	132	132	138	136

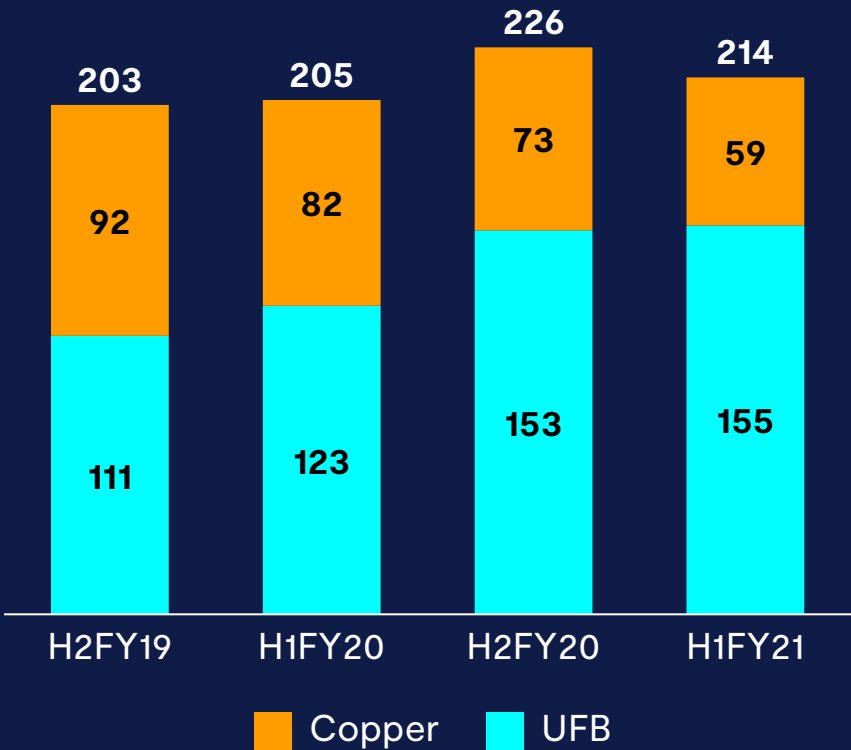
Broadband SIOs (000s)



New Zealand – key statistics

Metrics	FY19 H2	FY20 H1	FY20 H2	FY21 H1
Broadband ARPU (NZ\$)	71.61	73.22	71.91	72.53
Broadband AMPU (NZ\$)	28.02	28.74	26.07	26.81
Net churn rate copper broadband (%)	2.3	2.3	2.2	2.0
Net churn rate UFB (%)	1.5	1.8	1.7	1.6
Market Share UFB (%)	14	14	15	14
Energy SIOs (000s)	27	29	33	37
Mobile SIOs (000s)	29	39	41	42

Broadband SIOs (000s)



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