M2 Telecommunications Group Ltd (MTU)
FY10 Results Presentation

for the year ended 30 June 2010

30 August 2010

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- Key Investment Metrics

- **M2 Overview**
- **FY10 Numbers + FY11 Guidance**
- **The M2 Business**
- **Priorities for FY11**
- **Key Investment Metrics**

Goal

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

Parent / Holding Company

m2 telecommunications

100% owns

100% owns

Retail Division

COMMANDER

people TELECOM

southern cross TELCO

Wholesale Division

m2 wholesale

SMB's (predominantly) + consumers

Reseller telcos + Internet Service Providers (ISPs)

M2 Overview

FY10 Numbers + FY11 Guidance

The M2 Business

Priorities for FY11

Key Investment Metrics

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)*

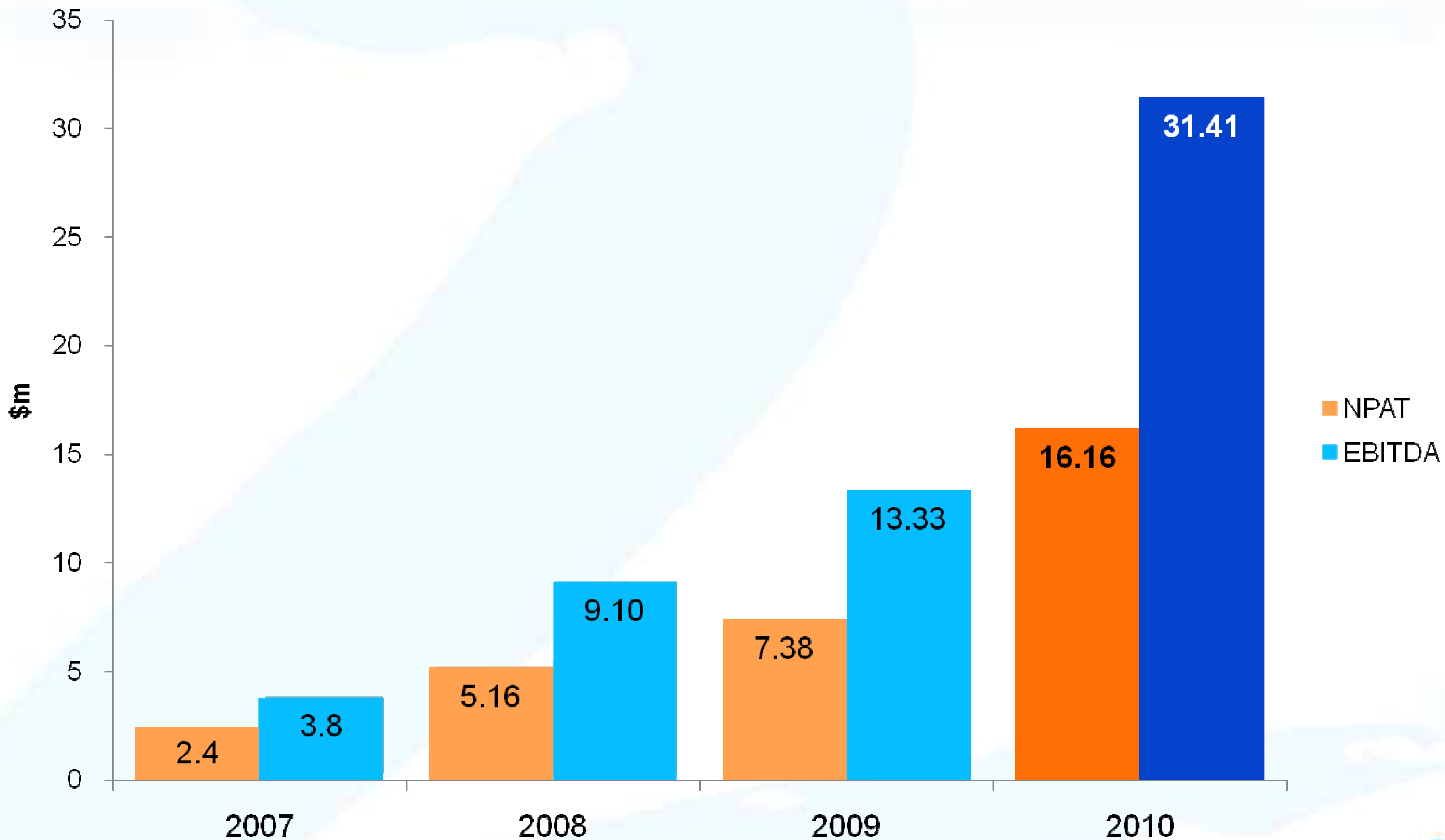
Guidance FY2010 : NPAT to grow 40%

$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	

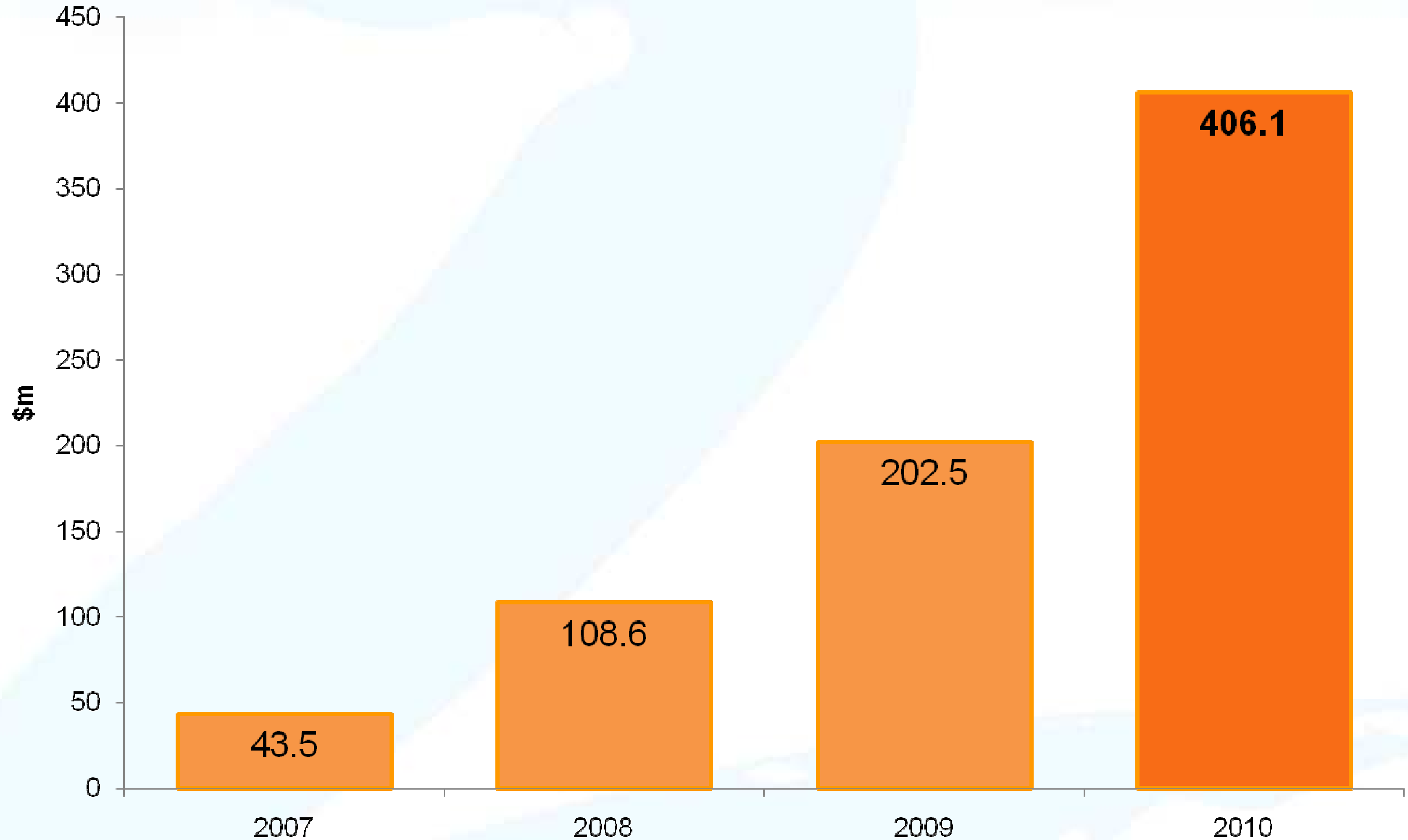
** Underlying NPAT and EPS guidance each include an add-back of a non-cash cost of $2.38 million, comprised of amortisation costs associated with customer contracts acquired in the previous period (in accordance with Australian Accounting Standards)*

*** 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)*

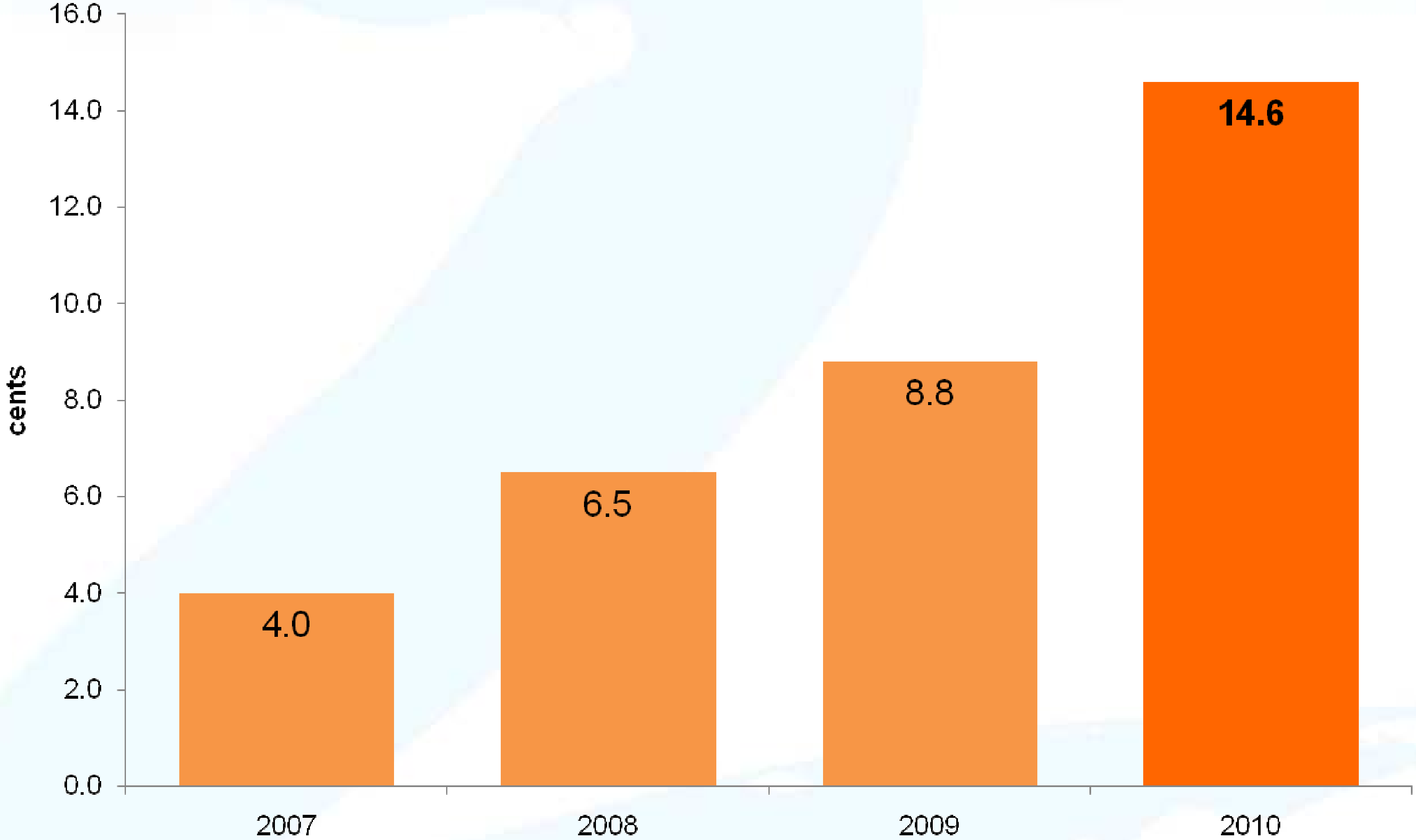
NPAT & EBITDA increase more than 100%



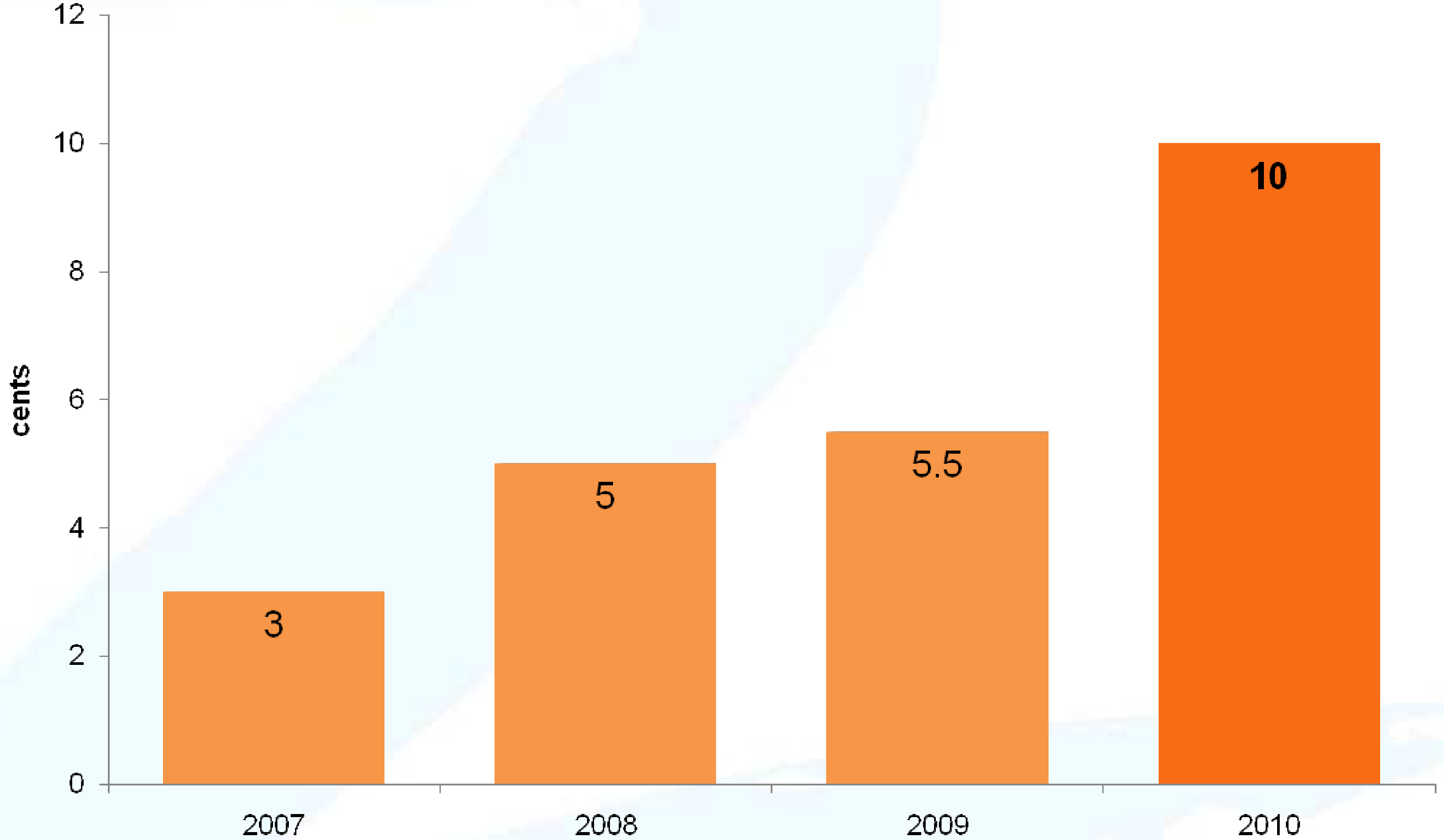
Revenue growth continues – up 100%+



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)
Net debt	**1.51**	**9.57**

M2 Overview

FY10 Numbers + FY11 Guidance

The M2 Business

Priorities for FY11

Key Investment Metrics

Key M2 brands

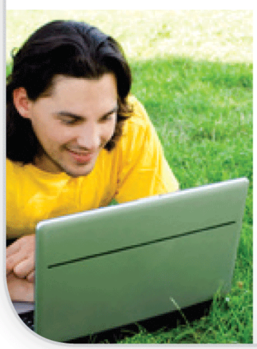
COMMANDER
Connecting Business

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.

m2wholesale®

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

M2 Retail Division – Fast Facts

Market Strategy:

multiple brands targeting principally SMBs

Sales Strategy:

national dealership network + internal cross-sell teams

Retail

Division Revenue:

approx $265 m

(annualised @ Jul '10)

Core Products:

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

M2 Wholesale – Fast Facts

M2 Wholesale

Market Strategy:

full service wholesale provider to reseller telcos & specialised ISPs

Sales Strategy:

Internal sales and account management

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

Board of Directors
Chairman: Craig Farrow (joined 1999)
Directors: 5 Non-Executive, 1 Executive

Company Secretary & Legal Affairs
Kellie Dean
(joined 2007, ex Orion 5 years)

Managing Director / CEO
Vaughan Bowen
(joined 1999)

Operations Director
Geoff Horth
(joined 2009, ex Commander 5 years)

Sales & Marketing Director
Steve Wicks
(joined 2000)

CFO
Darryl Inns
(joined 2001)

CIO
Matthew Hobbs
(joined 2007, ex WCG 4 years)

Commercial Director
Michael Speglic
(joined 2007, ex Orion 10 years)

Wholesale Director
Terry Doyle
(joined 2004)

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

New sales and customer retention markedly increased

Customer bases growing

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"

people TELECOM

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

COMMANDER®

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

Acquisitions in FY10 : Clever + Bell Networks

Two complementary, SMB focused acquisitions were announced in late FY10

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

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

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 (based on FY11 Guidance)	7.49% (ff)
Forward PE Multiple (based on FY11 Guidance)	9.3 x
Forward PE Multiple (underlying)	8.2 x
Substantial Institutional Shareholders	Hunter Hall
	Pengana Capital

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Thank you