

AGM 2010

Vaughan Bowen, MD/CEO
29 October 2010



Disclaimer

The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about and observe such restrictions.

This presentation does not constitute, or form part of, an offer to sell or the solicitation of an offer to subscribe for or buy any securities, nor the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issue or transfer of the securities referred to in this presentation in any jurisdiction in contravention of applicable law.

Persons needing advice should consult their stockbroker, bank manager, solicitor, accountant or other independent financial advisor. Certain statements made in this presentation are forward-looking statements. These forward-looking statements are not historical facts but rather are based on M2's current expectations, estimates and projections about the industry in which M2 operates, and its beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of M2, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. M2 cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of M2 only as of the date of this presentation. The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. M2 will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this presentation except as required by law or by any appropriate regulatory authority.



Presentation content

M2 overview

Key achievements in FY2010

The numbers

M2's position in the changing telco landscape

Acquisition strategy

Priorities for FY2011



M2 overview

Key achievements in FY2010

The numbers

M2's position in the changing telco landscape

Acquisition strategy

Priorities for FY2011



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

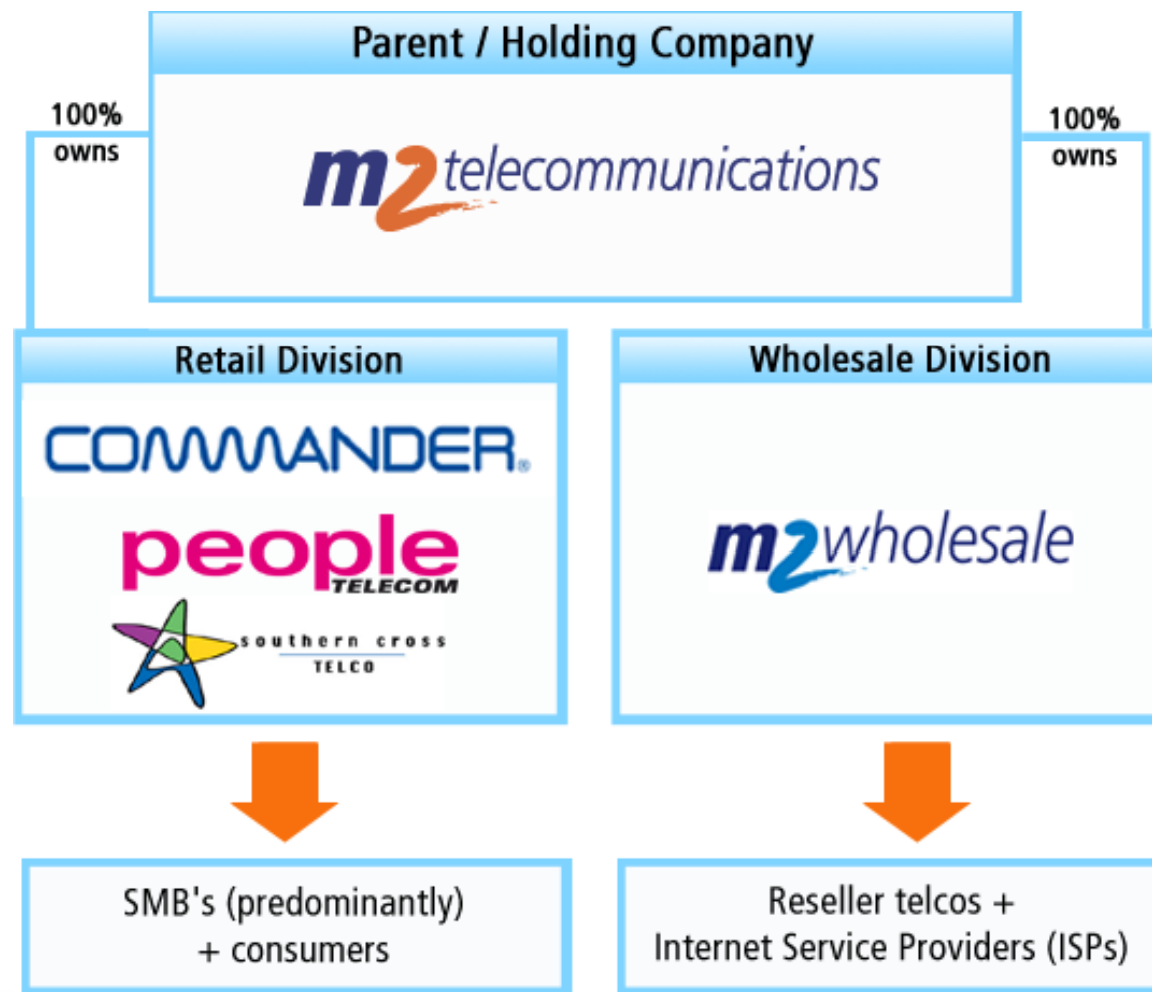
Mobile

Broadband

Wireless
Broadband



M2 Group structure



Fast facts about M2

- ❑ Founded December 1999. Listed ASX 2004. Admitted to ASX 500 in 2010.
- ❑ 400m+ in annual revenue. Approx 1% telecoms industry market share.
- ❑ Eight consecutive years of 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's core strategic ingredients

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

- ☐ Multi-brand to targeted markets
- ☐ National third-party SMB sales channel
- ☐ Infrastructure light
- ☐ Proven acquirer / consolidator
- ☐ Sales and service "DNA"



The M2 brand family

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.



Key achievements in FY2010

- ❑ Delivered record financial result
- ❑ Successfully integrated two business-changing acquisitions
- ❑ Retained and further bolstered Board, executive and management teams
- ❑ Stabilised, equipped and expanded sales/support dealer network
- ❑ Company-wide systems consolidation (payroll, accounting, incident management, HR management etc)

M2 overview

Key achievements in FY2010

The numbers

M2's position in the changing telco landscape

Acquisition strategy

Priorities for FY2011



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 FY2011: NPAT to grow 40%

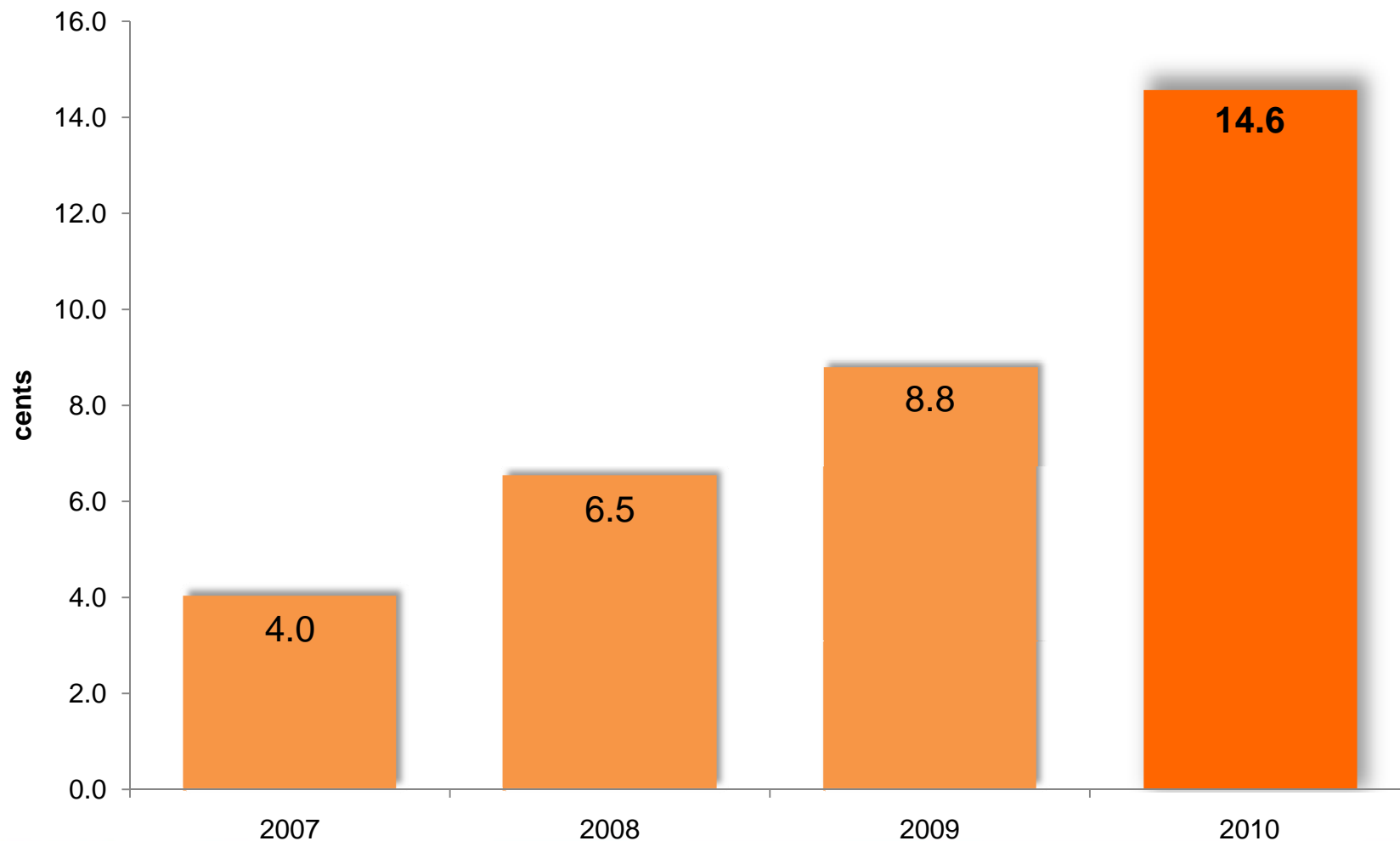
\$m	2010(a)	2011(f)	% Change (midpoint)
Revenue	406.11	425 – 445	7%
EBITDA	31.41	41.0 – 42.5	33%
NPAT	16.16	22.0 – 23.5	41%
NPAT (underlying*)	18.54	25.2 – 26.7	40%
EPS	14.57c	18.1 – 19.4c	29%
EPS (underlying*)	16.7c	20.7 – 22.0c	28%
PE Multiple**	13.1	13.5	
PE Multiple** (underlying*)	11.5	11.8	

* 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)

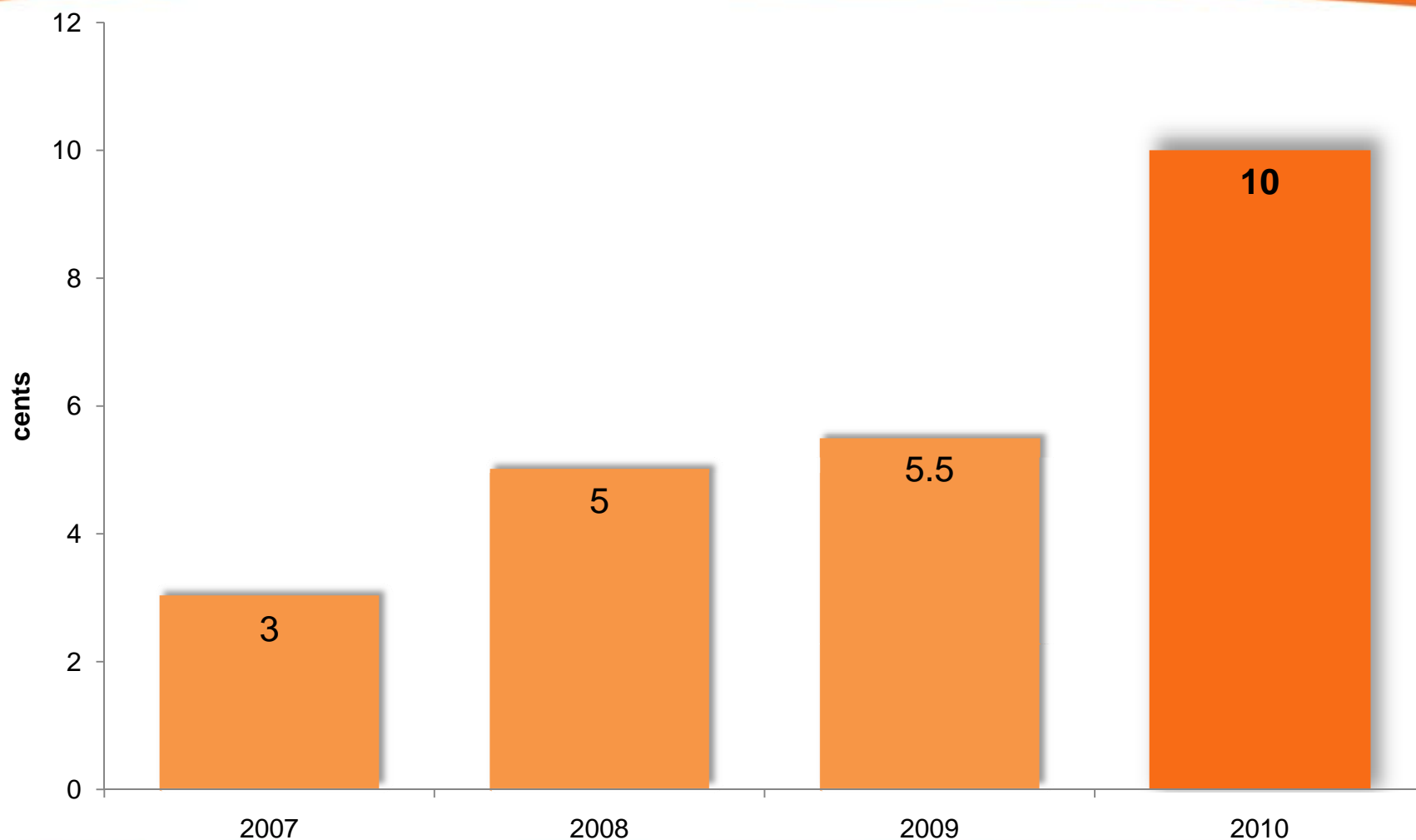
** Refers to the Price to Earnings multiple of the Company based on its NPAT (and NPAT underlying) relative and closing share price of \$2.51 on 28 October 2010



Earnings per share increases 66%



Dividend per share increases 82%



Balance sheet strengthened in FY2010

\$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

Key achievements in FY2010

The numbers

M2's position in the changing telco landscape

Acquisition strategy

Priorities for FY2011



National Broadband Network (NBN) – what is it?

- ❑ ALP's core communications policy platform
- ❑ 93% Fibre-to-the-premises (FTTP) + 7% wireless and satellite
- ❑ Deliver up to 1 gigabyte/second broadband download speeds
- ❑ NBNCo wholly federal government-owned, wholesale-only network
- ❑ Requires an \$11bn deal with Telstra to decommission copper network
- ❑ 8 year deployment @ cost of between \$36bn and \$43bn (opinions vary)
- ❑ Largest infrastructure project in Australia's history

What NBN means to M2

- ❑ Every telco becomes a reseller (for fixed voice & data services) post-NBN
- ❑ M2 ready & able, being Australia's largest reseller & "infrastructure light" telco
- ❑ M2 has no "stranded assets" post-NBN
- ❑ M2's business built around the cost base of a (lower margin) reseller model
- ❑ Opportunity for M2 to grow market share whilst competitors structurally transform



M2 overview

Key achievements in FY2010

The numbers

M2's position in the changing telco landscape

Acquisition strategy

Priorities for FY2011



Acquisition strategy

- ❑ 6 strategic acquisitions completed over last 3 years
- ❑ “Bolt on” acquisitions (SMB & wholesale targeted telcos) being actively considered
- ❑ Complementary acquisitions (product/service extensions) a medium term consideration
- ❑ Strong balance sheet + transactions experience = well positioned to seize opportunities



southern cross
TELCO & MOBILE



M2 overview

Key achievements in FY2010

The numbers

M2's position in the changing telco landscape

Acquisition strategy

Priorities for FY2011



Priorities for FY2011

- ❑ Deliver upon our 40% earnings growth guidance (Q1 on track)
- ❑ Aggressively build sales output from national dealer network
- ❑ Prepare for new business-wide billing / support system (FY12 deploy)
- ❑ Ready company for initial NBN engagement (test sites)
- ❑ Complete selected acquisitions

Key Investment Metrics (@ 28 Oct '10)

No. of Shares	122, 238,195
Share Price	\$2.51 (@ 28 Oct '10)
Market Capitalisation	\$307 million
Dividend Policy	70% x NPAT
FY10 Dividend	10.0c
Forward Dividend Yield*	5.2% (ff)
Forward PE Multiple*	13.5 x
Forward PE Multiple**	11.8 x
Substantial Shareholders (> 5%)	Hunter Hall
Vaughan Bowen (Director)	Pengana Capital
Dennis Basheer	Cornish Group

* Based on FY2011 Guidance

** Based on FY2011 Guidance of NPAT underlying



Contacts

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

www.m2.com.au



Thank You

