

Date: 24 February 2021

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

## **ELECTRONIC LODGEMENT**

Dear Sir or Madam,

### **Vocus Group Ltd – Financial Reports for the half-year ended 31 December 2020**

In accordance with the Listing Rules, please find attached the following:

- Appendix 4D
- Half-Year Financial Report

for the half year ended 31 December 2020.

Authorised for release by:

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

**Simon Lewin**  
**Company Secretary**

## Appendix 4D

### Results for announcement to the market for the half year ended 31 December 2020

#### Vocus Group Limited

Half-year ended 31 December (\$'m)	2020	2019	%chg
Statutory Revenue	897.4	901.9	(0.5)
Underlying EBITDA <sup>1,2</sup>	192.7	190.2	1.3
Statutory EBITDA	188.1	181.2	3.8
Statutory EBIT <sup>3</sup>	56.9	45.9	24.0
Statutory NPAT <sup>4</sup> after minority interests	19.1	12.8	49.2
Basic earnings per share - cents	3.08	2.06	49.5
Diluted earnings per share - cents	3.04	2.02	50.5
Net tangible asset backing per share - cents	68.8	57.5	19.7
Interim dividend per share –cents	-	-	-

1. Pre significant items and below the line costs of \$4.6m (\$8.9m costs in prior period), as disclosed in section 1.3.

2. EBITDA refers to earnings before net financing costs, tax, depreciation and amortization.

3. EBIT refers to earnings before net financing costs and tax.

4. NPAT refers to net profit after tax.

Vocus Group has delivered a strong set of financial results for the half year ended 31 December 2020.

Vocus Network Services delivered EBITDA growth of 8% to \$129m, with recurring revenue up 11%. Revenue from high-margin data networks grew 8% compared to the prior period, with high capacity network demand increasing. Wholesale and International also contributed to underlying growth, with continued sales momentum of capacity on the Australia Singapore cable. Large Infrastructure revenues were lower in the half following the completion of the Coral Sea cable build in the prior half. Excluding Large Infrastructure programs, growth in Vocus Network Services was double digit on revenue and EBITDA.

Retail had an overall revenue decline of 6% compared to the prior period, with Consumer revenue growing by 1% driven by NBN and strong growth in Energy. Small Business continues to feel the impact of the transition from legacy services with a 30% revenue decline. Disciplined cost control resulted in a 9% reduction of overheads compared to the prior period. Underlying EBITDA for the overall Retail business was down 20% to \$32.7m driven primarily by SMB declines and migration to the NBN.

New Zealand continued to deliver strong revenue and underlying EBITDA growth of 5%. New Zealand saw solid growth in the Consumer and Business division from organic and inorganic customer growth and attached services. This was partially offset by a decline in the Enterprise, Government and Wholesale segment with the loss of a wholesale customer.

Group revenues were steady at -0.5%, as Recurring Revenue growth of 2.2% was offset by lower Large Infrastructure revenue (Coral Sea cable revenue in prior period).

Overall, Statutory EBITDA grew 3.8% (Underlying EBITDA 1.3%), and Statutory net profit after tax grew 49.2% from lower amortization of historic customer relationships.

***The final results commentary is unaudited. Notwithstanding this, the Appendix 4D, the OFR and results presentation all include certain financial data which is extracted or derived from the Half Year Financial report for the six months ended 31 December 2020 that has been reviewed by the Group's Independent External Auditor.***

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# DIRECTORS' REPORT

The Directors present their report, together with the Financial Report of Vocus Group Limited and its controlled entities ('Vocus' or 'the Company') for the financial half-year ended 31 December 2020 in compliance with the provisions of the *Corporations Act 2001* ('Corporations Act').

## DIRECTORS

The following person were Directors of Vocus Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Robert Mansfield AO	Non-Executive Chairman
Kevin Russell	Group Managing Director & Chief Executive Officer
David Wiadrowski	Non-Executive Director
John Ho	Non-Executive Director
Julie Fahey	Non-Executive Director
Mark Callander	Executive Director
Bruce Akhurst	Non-Executive Director
Matthew Hanning	Non-Executive Director

## PRINCIPAL ACTIVITY

Vocus Group Limited (ASX: VOC) is Australia's specialist fibre and network solutions provider, connecting all mainland capitals with Asia. 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 supported by 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.

## REVIEW OF OPERATIONS AND RESULTS

Please refer to the Operating and Financial Review for further details relating to Vocus operations and results for the half-year ended 31 December 2020. The Operating and Financial Review includes information that Vocus shareholders would reasonably require to make an informed assessment of Vocus operations, financial position, business strategies and prospects for future financial years.

This Operating and Financial Review is to be read in conjunction with, and forms part of, the Directors' Report.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following changes in the state of affairs of the Company occurred during the half-year:

### New Zealand IPO

On the 19<sup>th</sup> of November Vocus Group announced that it had appointed financial advisers to execute an Initial Public Offering ("IPO") of Vocus New Zealand. The IPO is expected to be undertaken by 30 June 2021, subject to prevailing market conditions.

### COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. The COVID-19 pandemic has had significant adverse impacts on the global economy. The Company has conducted business with substantial modifications to employee work locations and monitoring of the financial implications of the pandemic. While the Company has not experienced significant disruptions to its operations or material impacts on its financials thus far, the Company is unable to predict the full impact that the COVID-19 pandemic will have on its operations and financial

performance nor the length of duration of the pandemic. Vocus Group has not received any Federal or State government benefits as at 31 December 2020.

### **SIGNIFICANT EVENTS AFTER BALANCE DATE**

In February 2021 Vocus announced that it had received a confidential non-binding, indicative proposal from Macquarie Infrastructure and Real Assets Holdings Pty Limited and its managed funds, in co-operation with Aware Super Pty Ltd, as trustee for Aware Super, to acquire 100% of the shares of Vocus via a scheme of arrangement at a price of \$5.50 per share.

Other than the event's described elsewhere, no other significant events have occurred which would affect the Company's future earnings, operations, or state of affairs.

### **AUDITOR'S INDEPENDENCE DECLARATION**

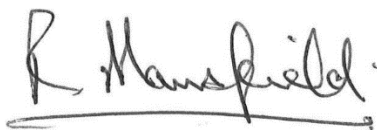
The auditor's independence declaration is included on page 17 of this report.

### **ROUNDING OF AMOUNTS**

Vocus is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 (formerly ASIC Class Order 98/0100), and in accordance with that Instrument, amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



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Robert Mansfield  
Non-Executive, Chairman

24 February 2021  
Sydney

# OPERATING AND FINANCIAL REVIEW

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## 1. GROUP OPERATING PERFORMANCE

### 1.1 Overview of Operations

Vocus Group Limited (ASX: VOC) (Vocus) is a specialist fibre and network solutions provider. The Company owns an extensive national infrastructure network of metro and back haul fibre, connecting capital cities and regional centres across Australia, New Zealand and into Asia. It is the second largest fibre network in Australia.

Vocus targets the enterprise, government, wholesale, small business and residential market segments through a portfolio of brands. Vocus offers both consumer and wholesale NBN services within Australia through all 121 NBN points of interconnect, as well as 100% coverage of the UFB network in New Zealand.

#### *Vocus Network Services*

Vocus Network Services operates under the Vocus brand and provides telecommunications products and services to the enterprise and wholesale businesses, and all levels of Government, in the Australian market. Products and services include Networks and Connectivity, Data centres, Cloud Platforms and Security, and Workplace Collaboration. Within the wholesale segment, Vocus provides high performance, high availability and highly scalable communications solutions which allow service providers to quickly and easily deploy new services for their own customer base. For further information on the financial performance of the division please refer to **Section 2.1**.

#### *Retail*

Retail focuses on the price sensitive and value seeking segments of the consumer market and the small to medium business segment. It provides telecommunications products and services including broadband, voice and mobile services, as well as energy products. Within the Consumer business, the go to market brands are **dodo™** and **iPrimus™** with some small legacy brands from prior acquisitions also maintained. **Commander™** and **Engin™** are the go-to market brand for the small and medium business segment. For further information on the financial performance of the division please refer to **Section 2.2**.

#### *New Zealand*

New Zealand operates in all key segments of the market, including Enterprise, Government, Wholesale and Consumer. In Enterprise, Government and Wholesale the division's key brand is Vocus. The key Consumer brands are Slingshot and Orcon. The New Zealand business is run as a separate business to Australia and includes all New Zealand overhead and network related costs. For further information on the financial performance of the division please refer to **Section 2.3**.

## 1.2 Reported Earnings Overview

\$m	31 December 2020	31 December 2019	\$ change	% change
<b>Statutory Revenue</b>	<b>897.4</b>	<b>901.9</b>	<b>(4.5)</b>	<b>(0.5)%</b>
<i>Recurring</i>	<i>896.0</i>	<i>876.4</i>	<i>19.6</i>	<i>2.2%</i>
<i>Large infrastructure revenue</i>	<i>1.4</i>	<i>25.5</i>	<i>(24.1)</i>	<i>NM<sup>5</sup></i>
<b>Statutory EBITDA<sup>1</sup></b>	<b>188.1</b>	<b>181.2</b>	<b>6.9</b>	<b>3.8%</b>
<i>Depreciation</i>	<i>(78.7)</i>	<i>(74.8)</i>	<i>(3.9)</i>	<i>5.2%</i>
<i>Amortisation<sup>4</sup></i>	<i>(52.4)</i>	<i>(60.5)</i>	<i>8.1</i>	<i>(13.4)%</i>
<b>Statutory EBIT<sup>2</sup></b>	<b>56.9</b>	<b>45.9</b>	<b>11.0</b>	<b>24.0%</b>
<i>Net finance costs</i>	<i>(28.3)</i>	<i>(26.1)</i>	<i>(2.2)</i>	<i>8.4%</i>
<i>Income tax expense</i>	<i>(9.5)</i>	<i>(7.0)</i>	<i>(2.5)</i>	<i>35.7%</i>
<b>Statutory NPAT<sup>3</sup> after minority interests</b>	<b>19.1</b>	<b>12.8</b>	<b>6.3</b>	<b>49.2%</b>

1. EBITDA refers to earnings before net financing costs, tax, depreciation and amortization.
2. EBIT refers to earnings before net financing costs and tax.
3. NPAT refers to net profit after tax
4. Amortisation includes \$31.0m related to amortization of customer relationships and software.
5. Not meaningful

## 1.3 Reconciliation of Statutory to Underlying Results

The key significant item for the half year ended 31 December 2020 is amortization related to acquired customer relationships.

31 December 2020 \$m	EBITDA	EBIT	NPAT
<b>Statutory Result</b>	<b>188.1</b>	<b>56.9</b>	<b>19.1</b>
<b>Significant Items</b>			
Gains/losses associated with foreign exchange & other	0.9	0.9	0.6
Long term incentive	4.5	4.5	4.5
Amortisation from purchase price allocation <sup>1</sup>	-	31.0	21.7
Other significant items <sup>2</sup>	(0.8)	(0.8)	(0.5)
<b>Total Significant Items</b>	<b>4.6</b>	<b>35.7</b>	<b>26.3</b>
<b>Underlying Result</b>	<b>192.7</b>	<b>92.6</b>	<b>45.4</b>

1. The amortisation expense relates to acquired customer relationships and software.
2. Other significant items includes other miscellaneous expenses.

## 1.4 Reconciliation of Underlying EBITDA to Underlying NPAT

\$m	31 December 2020	31 December 2019	\$ change	% change
<b>Underlying EBITDA</b>	<b>192.7</b>	<b>190.2</b>	<b>2.5</b>	<b>1.3%</b>
<b>Underlying depreciation &amp; amortisation</b>	<b>(100.1)</b>	<b>(91.1)</b>	<b>(9.0)</b>	<b>9.9%</b>
Underlying depreciation	(78.7)	(74.8)	(3.9)	5.2%
Underlying amortisation <sup>1</sup>	(21.4)	(16.3)	(5.1)	31.3%
<b>Underlying EBIT</b>	<b>92.6</b>	<b>99.0</b>	<b>(6.4)</b>	<b>(6.5)%</b>
Net financing costs	(28.3)	(26.1)	(2.2)	8.4%
<b>Underlying Profit before tax</b>	<b>64.3</b>	<b>73.0</b>	<b>(8.7)</b>	<b>(11.9)%</b>
Underlying tax expense	(18.9)	(21.8)	2.9	(13.3)%
<b>Underlying Net Profit after Tax</b>	<b>45.4</b>	<b>51.2</b>	<b>(5.8)</b>	<b>(11.3)%</b>

1. Underlying amortisation excludes \$31.0m related to acquired customer relationships

2. Not meaningful

## 1.5 Revenue and Underlying EBITDA Earnings Overview

Discussion of the factors driving revenue and EBITDA are contained in the commentary on divisional performance.

\$m	31 December 2020	31 December 2019	\$ change	% change
<b>Recurring Revenue</b>	<b>896.0</b>	<b>876.4</b>	<b>19.6</b>	<b>2.2%</b>
Vocus Network Services	340.2	305.7	34.5	11.3%
Retail	360.0	382.2	(22.2)	(5.8)%
New Zealand Revenue	195.8	188.5	7.3	3.9%
Large infrastructure revenue	1.4	25.5	(24.1)	NM <sup>2</sup>
<b>Total Revenue</b>	<b>897.4</b>	<b>901.9</b>	<b>(4.5)</b>	<b>(0.5)%</b>
Direct Costs	(507.8)	(508.9)	1.1	(0.2)%
<b>Gross Margin</b>	<b>389.6</b>	<b>393.0</b>	<b>(3.4)</b>	<b>(0.9)%</b>
Overhead Costs	(196.8)	(202.8)	6.0	(3.0)%
<b>Underlying EBITDA</b>	<b>192.7</b>	<b>190.2</b>	<b>2.5</b>	<b>1.3%</b>
<b>Underlying EBITDA Margin (%)</b>	<b>21.5%</b>	<b>21.1%</b>	<b>0.4%</b>	<b>1.9%</b>
Vocus Network Services	128.7	119.1	9.6	8.1%
Retail	32.7	40.9	(8.2)	(20.0)%
New Zealand <sup>1</sup>	33.3	32.2	1.1	3.4%
Corporate	(1.9)	(1.9)	-	-

1. Amounts presented in section 2.3 are converted to NZD using the average FX rate of 1.07 in 1H21 and 1.06 in 1H20.

2. Not meaningful



## 1.6 Depreciation and amortisation

Depreciation and amortisation of \$131.1m decreased \$4.2m on the prior period (3.1%), which was mainly driven by acquired software from the M2 acquisition being fully amortised in February 2020 resulting in a decrease of \$13.2m.

Underlying depreciation increased by \$3.9m from higher investment in Fibre and underlying amortisation increased \$5.1m, predominantly from higher capital expenditure on software.

## 1.7 Net finance costs and income tax expense

Net finance costs increased by \$2.2m on prior period to \$28.3m. This is mainly as a result of higher fees associated with the new Syndicated Finance Agreement, partially offset by a lower average drawn debt resulting in an interest cost saving.

Income tax expense on statutory profit in the period was \$9.5m, compared to \$7.0m million in the prior period. This resulted in an effective tax rate of 33.2%, against an effective tax rate of 35.4% in the prior period. This decrease in effective tax rate was largely driven by a decrease in non-deductible expenses in the current period. The effective tax rate is higher than the corporate tax rate, due to non-deductible permanent differences predominantly share based payments, excluding shared based payments the effective tax rate is 29.3% (1H20: 29.2%).

## 1.8 Cashflow

\$m	31 December 2020	31 December 2019	\$ Change
Net cash from operating activities	137.5	127.0	10.5
Net cash used in investing activities	(100.8)	(105.6)	4.8
<b>Operating free cash flows</b>	<b>36.7</b>	<b>21.4</b>	<b>15.3</b>
Net cash used in financing activities	(51.6)	(19.4)	(32.2)
<b>Net movement in cash</b>	<b>(15.0)</b>	<b>2.1</b>	<b>(17.1)</b>

Net cash from operating activities over the period was \$137.5m, an increase of \$10.5m from \$127.0m in the prior period mainly driven by:

- Underlying EBITDA growth of \$2.5m resulted in net increased cash collections of \$1.6m; and
- A decrease in finance costs paid of \$10.5m, mainly due to timing of interest payments, which was offset by an increase in income taxes paid of \$1.5m.

Net cash used in investing activities over the period was \$100.8m, a decrease of \$4.8m from \$105.6m in the prior period mainly driven by:

- A decrease in spend on the Australia Singapore Cable of which, the final payment of \$0.7m was made in the prior comparative period; and
- A decrease in capital expenditure of \$4.1m; for further details refer to section 1.9.

Net cash used in financing activities over the period was \$51.6m, an increase of \$32.2m from \$19.4m in the prior period mainly driven by an increase in repayments of borrowing of \$32.2m.

### 1.8.1 Adjusted Operating Cashflow

\$m	31 December 2020	31 December 2019
<b>Net cash from operating activities</b>	<b>137.5</b>	<b>127.0</b>
Interest, finance costs and tax	35.9	44.8
<b>Adjusted Operating Cashflow</b>	<b>173.4</b>	<b>171.8</b>

### 1.8.2 Cash Conversion<sup>1</sup>

\$m	31 December 2020	31 December 2019
<b>Underlying EBITDA</b>	<b>192.7</b>	<b>190.2</b>
Underlying net working capital movements	(11.8)	(10.8)
<i>Historic unwind</i>		
Deferred revenue unwind	(5.3)	(5.3)
Onerous provision unwind	(2.2)	(2.2)
<b>Adjusted Operating Cashflow</b>	<b>173.4</b>	<b>171.9</b>
<b>Cash Conversion<sup>1</sup></b>	<b>90%</b>	<b>90%</b>

1. Cash conversion % is calculated by dividing Adjusted Operating Cashflow by Underlying EBITDA.

Cash conversion has remained consistent at 90% compared to prior period. The key factors driving 90% cash conversion are:

- Negative underlying net working capital movement of \$11.8m, mainly related to negative movement in trade and other payables.
- Historic deferred revenue brought to account was \$5.3m, primarily relating to revenues recognised under the North West Cable System project and the run-off of contracts acquired through the Amcom and Nextgen acquisitions.
- The release of onerous provisions on \$2.2m, primarily relates to the un-wind of property leases and the Metronode contract assumed as part of the Nextgen acquisition.

## 1.9 Cash Capital Expenditure

\$m	31 December 2020	31 December 2019
Growth	63.4	50.2
Maintenance	9.7	19.1
Modernisation	27.7	35.6
<b>Capital Expenditure (excluding ASC)</b>	<b>100.8</b>	<b>104.9</b>
Australia Singapore Cable	-	0.7
<b>Total Capital Expenditure</b>	<b>100.8</b>	<b>105.6</b>

Growth capital expenditure has increased compared to prior period, primarily due to the investment in the Adelaide-Darwin-Brisbane upgrade to capacity.

Maintenance and Modernisation categories should be viewed combined and has seen reductions in capital expenditure largely driven by lower spend on network equipment inventory and the completion of large programs of maintenance work completed in the prior comparative period.

## 1.10 Net Debt

\$m	As at 31 December 2020	As at 30 June 2020
AUD facility limit of A\$1,218.5m and is drawn to:	908.0	935.0
New Zealand facility limit of NZ\$135m and is drawn to (in AUD):	75.6	86.5
<b>Bank loans</b>	<b>983.6</b>	<b>1,021.5</b>
Upfront borrowing costs	(11.0)	(13.0)
Backhaul IRU liabilities	-	6.1
Lease liabilities	10.0	11.4
<b>Borrowings</b>	<b>982.5</b>	<b>1,026.0</b>
Cash	(44.6)	(59.6)
<b>Net Debt</b>	<b>937.9</b>	<b>966.4</b>

The Group has a syndicated debt facility of AU\$1,218.5 million (excluding a \$125m bank guarantee/letters of credit facility) and NZ\$135 million. The facility provides the Group the flexibility required to execute its growth strategy over the coming years.

The maximum allowable Net Leverage Ratio (NLR) for the facility is:

Testing Date	Maximum Net Leverage Ratio (NLR)
31 December 2020	<b>3.25x</b>
30 June 2021 and thereafter	<b>3.00x</b>

The facility has a weighted average tenure of 2.9 years. The facility agreement stipulates that dividends will not be paid until the NLR is below 2.25x for two consecutive testing dates, which are every six months.

### 1.10.1 Financial Covenant test results

Financial Covenant <sup>1</sup>	Result as at 31 December 2020
<b>Net Leverage Ratio</b> $\leq 3.25x$ (Net debt / LTM EBITDA)	<b>2.60x</b>
<b>Interest Cover Ratio</b> $\geq 5.0x$ (LTM EBITDA / LTM Net Interest Expense)	<b>7.5x</b>
<b>Gearing</b> $\leq 60\%$ (Net Debt / (Net Debt + Equity))	<b>29.9%</b>

1. Bank methodology used in the calculation of financial covenants

Vocus Group is compliant with its syndicated facility financial covenants as at 31 December 2020. The Group measures its financial covenants excluding the impact of AASB 16 Leases accounting standard.

## 2. DIVISIONAL PERFORMANCE

### 2.1 Vocus Network Services

The Vocus Network Services division comprises the Enterprise, Government and Wholesale business segments. The brand used in market is predominantly Vocus.

#### 2.1.1 Earnings Summary – Vocus Network Services

\$m	31 December 2020	31 December 2019	\$ Change	% Change
<b>Revenue</b>	<b>341.6</b>	<b>331.2</b>	<b>10.4</b>	<b>3%</b>
Recurring	340.2	305.7	34.5	11%
Large infrastructure revenue	1.4	25.5	(24.1)	NM <sup>2</sup>
<b>Recurring revenue</b>	<b>340.2</b>	<b>305.7</b>	<b>34.5</b>	<b>11%</b>
Data Networks	215.6	199.9	15.7	8%
Voice	49.3	45.5	3.8	8%
NBN wholesale	50.5	34.7	15.8	46%
Data Centre	18.1	18.8	(0.7)	(4)%
Other	6.7	6.8	(0.1)	(1)%
<b>Direct costs</b>	<b>(129.8)</b>	<b>(134.3)</b>	<b>4.5</b>	<b>(3)%</b>
Cost of Goods Sold	(109.0)	(111.1)	2.1	(2)%
Infrastructure & Operations costs allocation <sup>1</sup>	(20.8)	(23.2)	2.4	(10)%
<b>Gross Margin</b>	<b>211.8</b>	<b>196.9</b>	<b>14.9</b>	<b>8%</b>
<b>Overheads</b>	<b>(83.1)</b>	<b>(77.8)</b>	<b>(5.3)</b>	<b>7%</b>
Selling, General and Administration costs	(38.7)	(35.3)	(3.4)	10%
Infrastructure & Operations costs allocation <sup>1</sup>	(32.8)	(33.4)	0.6	(2)%
Corporate costs allocation <sup>1</sup>	(11.6)	(9.1)	(2.5)	27%
<b>Underlying EBITDA</b>	<b>128.7</b>	<b>119.1</b>	<b>9.6</b>	<b>8%</b>
<b>EBITDA margin (%)</b>	<b>37.7%</b>	<b>36.0%</b>		

<sup>1</sup> Allocation methodology set out in section 2.4.

<sup>2</sup> Not meaningful

Recurring revenue increased to \$340.2m from the prior comparative period of \$305.7m, driven by:

- Continued strong growth in core services in the Enterprise and Government segment following investments in capability; and
- Growth from international customers and growing sales on Australia Singapore Cable; and
- Positive momentum maintained in NBN services across Wholesale and Enterprise.

Large infrastructure revenue decreased by \$24.1m on the prior comparative period, driven by the reduction in project revenues from the Coral Sea cable build which was completed in December 2019.

Overall overheads have increased 7% on prior comparative period driven by additional investment in products and marketing capabilities to drive new customer growth in the Enterprise and Government segment.

Underlying EBITDA for the period increased by 8% on the prior comparative period. The EBITDA margin growth in the recurring business grew double digit which was offset by lower large infrastructure margin in the half.

## 2.2 Retail

The Australian Retail business services the consumer and small to medium business markets. Consumer offerings include bundled broadband data, stand-alone voice, mobile services and Fetch TV under the iPrimus and dodo brands. The division also markets gas and electricity services in selected states as either standalone or bundled with broadband as part of the dodo brand.

In the Business segment, there are two brands; the predominant brand is Commander which offers a range of communications solutions to Australian businesses, including broadband data, stand-alone voice, mobile services and electricity in selected states. Engin is the second brand, offering broadband and VOIP technology to small business customers.

### 2.2.1 Earnings Summary

\$m	31 December 2020	31 December 2019	\$ Change	% Change
<b>Revenue</b>	<b>360.0</b>	<b>382.2</b>	<b>(22.2)</b>	<b>(6)%</b>
<b>Consumer</b>	<b>307.0</b>	<b>305.0</b>	<b>2.0</b>	<b>1%</b>
Broadband	173.0	173.5	(0.5)	(0)%
Stand-alone Voice	2.1	6.1	(4.0)	(66)%
Mobile	23.4	25.2	(1.8)	(7)%
Energy	101.4	92.0	9.4	10%
Other	7.1	8.2	(1.1)	(13)%
<b>Business</b>	<b>48.0</b>	<b>68.2</b>	<b>(20.2)</b>	<b>(30)%</b>
Broadband	9.0	8.7	0.3	3%
Stand-alone Voice	27.5	40.8	(13.3)	(33)%
Mobile	1.7	1.8	(0.1)	(6)%
Energy	4.9	6.4	(1.5)	(23)%
Other	4.9	10.5	(5.6)	(53)%
<b>Secondary Brands</b>	<b>5.0</b>	<b>9.0</b>	<b>(4.0)</b>	<b>(44)%</b>
<b>Direct costs</b>	<b>(249.5)</b>	<b>(255.7)</b>	<b>6.2</b>	<b>(2)%</b>
Cost of Goods Sold	(241.4)	(247.4)	6.0	(2)%
Infrastructure & Operations costs allocation <sup>1</sup>	(8.1)	(8.3)	0.2	(2)%
<b>Gross Margin</b>	<b>110.5</b>	<b>126.6</b>	<b>(16.1)</b>	<b>(13)%</b>
<b>Overheads</b>	<b>(77.9)</b>	<b>(85.7)</b>	<b>7.8</b>	<b>(9)%</b>
Selling, General and Administration costs	(60.8)	(67.1)	6.3	(9)%
Infrastructure & Operations costs allocation <sup>1</sup>	(10.9)	(11.9)	1.0	(8)%
Corporate costs allocation <sup>1</sup>	(6.2)	(6.6)	0.4	(6)%
<b>Underlying EBITDA</b>	<b>32.7</b>	<b>40.9</b>	<b>(8.2)</b>	<b>(20)%</b>
<b>EBITDA margin (%)</b>	<b>9.1%</b>	<b>10.7%</b>		

<sup>1</sup> Allocation methodology set out in section 2.4.

SIO's ('000)	31 December 2020	31 December 2019	Change	% Change
Stand-alone Voice	122	179	(57)	(32)%
Copper Broadband	24	91	(67)	(74)%
NBN Broadband	436	388	48	12%
Mobile	210	193	17	9%
Energy	136	132	4	3%

Metrics	31 December 2020	31 December 2019
Copper ARPU \$	52.0	54.6
Copper AMPU \$	22.3	23.6
NBN ARPU \$	67.7	67.1
NBN AMPU \$	23.2	23.7
Net churn – Copper (%)	5.7	4.1
Net churn – NBN (%)	1.4	1.7

Retail revenue declined 6% compared to the prior comparable period. This is an improvement when compared to the previous period, which declined 12%, driven by the improving performance of the Consumer Dodo brand. Services in operation (SIOs) have grown year on year for all current products: NBN, Mobile, Energy and IP Voice. This SIO growth is offset by the decline in legacy products due to Copper broadband disconnection which in turn contributes to the revenue decline of 6%. The rate of decline continues to reduce as migration of copper based broadband services to the NBN is completed, and NBN churn reduced in the half.

Within the Consumer segment, revenue has grown compared to prior period, driven by increases in Energy SIOs and usage as a result of the COVID-19 pandemic. Broadband revenue is flat compared to the prior period as NBN SIOs, ARPU growth is offset by the decline in Copper. Mobile revenue is down due to changes in plan mix offsetting 9% growth in SIOs.

Within the Business segment, revenue was 30% lower due to the decline of Traditional voice (PSTN, ISDN phone lines) as a result of NBN roll-out, line consolidation and declines in usage due to COVID-19 impacts for small businesses. This was partially offset by increases in IP Voice services.

Overhead costs reduced by 9% through continued Operational efficiency gains, together with lower legacy product direct costs, enabled tight cost control in the half.

Underlying EBITDA declined by 20% due to the pressures around small business customers and ongoing migration from legacy to current products.

## 2.3 New Zealand

The New Zealand Division is structured into two primary business units:

- Consumer and Business (“CB”), and
- Enterprise, Government and Wholesale (“EGW”)

Consumer and Business is focused on a broadband led strategy with the bundling of energy and mobile services under the Slingshot and Orcon brands. In EGW, the business is focused on network data and voice services across these core segments under the Vocus brand. The acquisition of Stuff Fibre (included in Consumer and Business below) was completed on 20 May 2020; the financial results include a full 6 month contribution for the period ended 31 December 2020.

### 2.3.1 Earnings Summary

NZD \$m	31 December 2020	31 December 2019	\$ Change	% Change
<b>Revenue</b>	<b>210.0</b>	<b>199.6</b>	<b>10.4</b>	<b>5%</b>
Enterprise, Government & Wholesale	64.0	68.3	(4.3)	(6%)
Consumer and Business	146.0	131.3	14.7	11%
<b>Direct costs</b>	<b>(137.9)</b>	<b>(126.5)</b>	<b>(11.4)</b>	<b>9%</b>
<b>Gross Margin</b>	<b>72.1</b>	<b>73.1</b>	<b>(1.0)</b>	<b>(1)%</b>
<b>Overheads</b>				
Selling, General and Administration costs	(36.5)	(39.0)	2.5	(6%)
<b>Underlying EBITDA</b>	<b>35.7</b>	<b>34.1</b>	<b>1.6</b>	<b>5%</b>
<b>EBITDA margin %</b>	<b>17.0%</b>	<b>17.1%</b>		

SIO's (‘000)	31 December 2020	31 December 2019	Change	% Change
Broadband Consumer SIOs	214	205	9	4%
Copper broadband	59	82	(23)	(28%)
UFB	155	123	32	26%
Energy SIOs	37	29	8	28%
Mobile SIOs	42	39	3	8%

Key Statistics	31 December 2020	31 December 2019
Broadband ARPU (NZ\$)	72.53	73.22
Broadband AMPU (NZ\$)	26.81	28.74
Net churn rate copper broadband (%)	2.0	2.3
Net churn rate UFB (%)	1.6	1.8
Market Share UFB (%)	14	14

New Zealand revenue increased by \$10.4m, 5% on the prior comparative period.

- The Consumer and Business division grew 11% from the successful integration of Stuff Fibre which contributed 7ppt of the growth in the half. The underlying business grew 4% largely driven by organic growth in UFB and bundling of Energy services.
- The Enterprise, Government and Wholesale division declined in the half, from the migration of a wholesale partner to another service provider. The signing of Sky New Zealand as a wholesale partner is expected to return this segment to growth, however, this contributed minimal revenue in the first half of FY21.

The direct cost increase of 9% over the prior comparative period is due to higher Energy direct costs, which are expected to reduce in the second half of FY21 as the benefits of secured lower rates are realized.

The gross margin, as a result, has been impacted by the migration of the wholesale customer and Energy direct costs.

Overheads have continued to decline with ongoing process automation, coupled with strong cost management. Across the business, the focus remains on customer advocacy and improving digital interactions and the overall customer experience. This relentless focus is expected to drive further productivity and growth opportunities in key segments.

Underlying EBITDA increased by \$1.6m, representing a 5% increase on the prior comparative period as a result of customer growth and the reduction of overhead costs.



## 2.4 Infrastructure, Operations and Corporate

### 2.4.1 Underlying EBITDA analysis pre allocation to Vocus Network Services and Retail

Infrastructure, Operations and Corporate costs comprises the Australian Network & Technology function that manages the Group's Australian infrastructure and IT assets, as well as the Australian head office Corporate activities such as finance, legal, facilities, secretariat and human resources.

\$m	31 December 2020	31 December 2019	\$ Change	% Change
<b>Underlying EBITDA</b>	<b>(92.4)</b>	<b>(94.5)</b>	<b>2.1</b>	<b>(2)%</b>
Infrastructure and operations	(72.6)	(76.9)	4.3	(6)%
Corporate	(19.7)	(17.6)	(2.1)	12%

Infrastructure, Operations costs decreased compared to the prior period with the main driver being successful renegotiations of contracts with suppliers, rationalization of facility costs and a reduction in employment costs. Corporate costs are higher compared to the prior period, due to one off costs reduction in prior period.

Please refer below for Infrastructure and Operations and Corporate cost allocations to Vocus Network Services and Retail. These costs are not allocated to New Zealand as it operates independently of the Australia operations.

#### 31 December 2020 allocations

\$m	1H21	Retail	Vocus Network Services	1H21 (post allocations)
<b>Underlying EBITDA</b>	<b>(92.4)</b>	<b>(25.2)</b>	<b>(65.2)</b>	<b>(1.9)</b>
<i>Infrastructure and operations</i>				
Direct costs	(28.9)	(8.1)	(20.8)	-
Overheads	(43.7)	(10.9)	(32.8)	-
<i>Corporate</i>				
Direct costs	-	-	-	-
Overheads	(19.7)	(6.2)	(11.6)	(1.9)

#### 31 December 2019 allocations

\$m	1H20	Retail	Vocus Network Services	1H20 (post allocations)
<b>Underlying EBITDA</b>	<b>(94.5)</b>	<b>(26.8)</b>	<b>(65.7)</b>	<b>(1.9)</b>
<i>Infrastructure and operations</i>				
Direct costs	(30.9)	(8.3)	(23.2)	-
Overheads	(46.0)	(11.9)	(33.4)	-
<i>Corporate</i>				
Direct costs	-	-	-	-
Overheads	(17.6)	(6.6)	(9.1)	(1.9)

Infrastructure, Operations and Corporate costs have been allocated across Vocus Network Services and Retail. There is no allocation to New Zealand as this division has standalone finance, legal, facilities, human resources and technology functions. The unallocated costs of \$1.9m are made up of Board and CEO office costs.

The allocation of Infrastructure and Operations across Vocus Network Services and Retail has been determined by identifying directly attributable Retail costs and allocating a portion of residual indirect shared costs to the Retail division. Direct costs include the Retail specific operating support system (OSS) including maintenance and security and third-party network costs. Indirect costs are made up of external vendors and internal labour related to shared infrastructure and capabilities.

The allocation of Corporate costs across Vocus Network Services and Retail has been determined by specifically identifying costs associated with the Retail division, with the remainder allocated to Vocus Network Services. Retail costs comprise directly attributable office costs and warehouse costs, with legal, finance, and human resources support costs determined using an allocation methodology. Legal and finance costs have been allocated with reference to divisional revenue, with human resources support costs allocated based on headcount.

### 3. GROUP OUTLOOK

#### 3.1 Group Strategy

Vocus has a clear strategy to deliver long term sustainable growth. The opportunity in each of the three independent operating businesses requires a different strategy.

##### **Vocus Network Services**

Operating under the Vocus brand, Vocus Network Services is building Australia's specialist fibre and network solutions provider.

Our key assets, connecting Australia with Asia and the USA, are our fibre and core transport network.

- 15,020km of inter-capital network in Australia
- Over 9,500km of metropolitan and regional fibre in all major centres
- 4,200 km of inter-capital network in New Zealand
- More than 5,500 on-net buildings
- Connectivity to 17 major sports stadiums
- 4,600km Australia Singapore Cable providing a gateway to Asia
- Connectivity to the USA via investment in IRUs
- North West Cable System connecting offshore oil and gas facilities

Vocus has significant market share opportunity leveraging the quality and extent of our fibre network assets throughout Australia. Digitisation, automation, artificial intelligence, machine learning and 5G are all increasing demand for data connectivity and high bandwidth consumption. Furthermore, hyperscale cloud companies are consuming significant capacity across Australia and into Asia along with large Enterprises increasingly adopting private and public cloud. As these trends continue, there is increasing demand for diversity of supply across multiple providers of network services to meet future growth projections.

Within the core Enterprise, Government and Wholesale segments, a highly targeted approach has been adopted to focus on key verticals whose needs align to our core assets and capability. Understanding that these verticals require different products and go to market strategies to be successful, we are focused on strengthening our sales capability and further differentiating from our competitors by delivering enhanced customer experiences and engagement. This will involve the rationalisation of products and services along with investment in our people to drive our growth ambitions.

To capture the wider market opportunity, the reinvigoration of indirect sales channel partners will allow Vocus direct sales teams to focus on higher value customers in key market segments. In addition, there will be an increased focus on strategic partnerships with major technology players to extend our reach and branding, particularly in products such as public cloud, SD-WAN, and voice and collaboration.

The Australia Singapore Cable will also be used to drive international and domestic growth.

##### **Retail**

Retail focuses on the price sensitive and value seeking segments of the consumer market and the small to medium business segment. It provides telecommunications products and services including broadband, voice and mobile services, as well as energy products. Within the Consumer segment, the go to market brands are **dodo™** and **iPrimus™** with some small legacy brands from prior acquisitions also maintained. **Commander™** is the go-to market brand for the small and medium business segment.

Retail is executing a multi-brand strategy to drive profitable growth through revenue diversification and taking market share in mobile and energy. In addition, the operating model is changing to be digitally driven sales and service, driving down cost to acquire and cost to serve, to build a scalable, low cost business.

Within the broadband market, one-time costs to acquire and connect customers to the NBN are high and chasing market share is expensive. Accordingly, the focus is to successfully migrate existing ADSL copper broadband customers to the NBN and leveraging broadband as the entry point into the home, to bundle energy products.

Relative to existing share of the fixed telco market, Retail has very low market share in mobile. Although all brands have high levels of awareness relative to other challenger brands, the Commander brand is uniquely placed as an SMB-only brand to grow mobile penetration.

### **New Zealand**

The multi-brand strategy continues to be a key focus to capture disproportionate share in the New Zealand fibre market. The scale and resiliency of the Vocus network has been a continued area of investment to support these growth ambitions and this is reflected in the exceptional network experience for all customers. As the uptake of fibre continues to remove the last mile bottle necks, the value of the network ownership continues to increase.

While the Consumer and Business segments remain highly competitive, the high brand awareness of Slingshot and Orcon combined with the bundling of both energy and mobile services provides unique differentiation. The digital and process automation program continues to improve the customer experience while delivering a low-cost operating model for improved competitiveness.

The focus in the Enterprise and Wholesale segments has been to leverage the network and to more effectively target high bandwidth users that value network performance. As the adoption of cloud services continues to improve this is creating more opportunities as enhanced network performance and real time management. The major OTT players have recently announced significant investments in New Zealand which will further drive demand for network services and fibre infrastructure in the years ahead.

Vocus remains on the Government TaaS panel and as a direct supplier while also supporting key partners with their network requirements in this segment.

While continuing to demonstrate leadership in fixed network services and capability, mobile services will become an increasing area of focus in the next couple of years. This will include both traditional mobile based services along with fixed wireless services under a new arrangement with our mobile partner.

### **3.2 FY2021 Guidance**

Underlying EBITDA - \$382m to \$397m (unchanged)

Capital Expenditure - \$185m to \$200m (up from \$160m to \$180m). Of the increase, \$15-20m relates to capex which will be funded by customers in H2FY21

### **3.3 Business Risks**

The Company's risk management approach is set out in detail in the Corporate Governance Statement which is available on the Company's website <https://www.vocus.com.au/legal/corporate-governance>.



## *Auditor's Independence Declaration*

As lead auditor for the review of Vocus Group Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Vocus Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Mark Dow'.

Mark Dow  
Partner  
PricewaterhouseCoopers

Sydney  
24 February 2021

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Vocus Group Limited  
Statement of profit or loss and other comprehensive income  
For the half-year ended 31 December 2020



	Note	31 Dec 2020 \$'000	Consolidated 31 Dec 2019 \$'000
<b>Revenue</b>	4	897,365	901,905
Other gains and losses		(182)	(4,856)
<b>Expenses</b>			
Network and service delivery		(507,824)	(507,588)
Employee benefits expense	5	(111,890)	(115,985)
Depreciation and amortisation expense	5	(131,145)	(135,300)
Administration and other expenses		(89,403)	(92,289)
Net finance costs	5	(28,282)	(26,018)
<b>Profit before income tax expense</b>		28,639	19,869
Income tax expense		(9,497)	(7,034)
<b>Profit after income tax expense for the half-year attributable to the owners of Vocus Group Limited</b>		19,142	12,835
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(1,502)	899
Net movement on hedging transactions, net of tax		10,186	(9,057)
Other comprehensive income for the half-year, net of tax		8,684	(8,158)
<b>Total comprehensive income for the half-year attributable to the owners of Vocus Group Limited</b>		<u>27,826</u>	<u>4,677</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	6	3.08	2.06
Diluted earnings per share	6	3.04	2.02

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

		<b>Note</b>	<b>31 Dec 2020</b> \$'000	<b>Consolidated</b> <b>30 Jun 2020</b> \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents			44,643	59,604
Trade and other receivables			137,694	153,290
Prepayments			33,847	30,954
Contract costs asset			19,450	20,335
Derivative financial instruments			9,291	5,547
Other			12,337	12,536
Total current assets			<u>257,262</u>	<u>282,266</u>
<b>Non-current assets</b>				
Plant and equipment		7	1,748,885	1,759,625
Intangibles		8	1,768,467	1,780,068
Right-of-use assets			138,574	151,119
Contract costs asset			11,459	9,630
Deferred tax			85,517	90,781
Derivative financial instruments			11,319	355
Other			15,783	18,571
Total non-current assets			<u>3,780,004</u>	<u>3,810,149</u>
<b>Total assets</b>			<u>4,037,266</u>	<u>4,092,415</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		9	222,556	251,803
Provisions			28,282	28,201
Deferred revenue			48,741	50,297
Income tax			12,983	8,819
Borrowings		10	46,135	52,242
Derivative financial instruments			26,499	21,217
Lease Liabilities			14,032	15,385
Other			8,853	7,504
Total current liabilities			<u>408,081</u>	<u>435,468</u>
<b>Non-current liabilities</b>				
Provisions			19,585	21,949
Deferred revenue			157,071	156,875
Borrowings		11	926,435	962,403
Deferred tax			165,737	173,355
Derivative financial instruments			13,005	17,889
Lease Liabilities			145,589	156,667
Other			5,927	6,510
Total non-current liabilities			<u>1,433,349</u>	<u>1,495,648</u>
<b>Total liabilities</b>			<u>1,841,430</u>	<u>1,931,116</u>
<b>Net assets</b>			<u>2,195,836</u>	<u>2,161,299</u>
<b>Equity</b>				
Contributed equity		12	3,778,470	3,776,212
Reserves			21,661	8,524
Accumulated losses			(1,604,295)	(1,623,437)
<b>Total equity</b>			<u>2,195,836</u>	<u>2,161,299</u>

The above statement of financial position should be read in conjunction with the accompanying notes

	Contributed equity \$'000	Reserves \$'000	Retained profits / (accumulated losses) \$'000	Total equity \$'000
<b>Consolidated</b>				
Balance at 1 July 2019	3,775,752	37,532	(1,445,271)	2,368,013
Profit after income tax expense for the half-year	-	-	12,835	12,835
Other comprehensive income for the half-year, net of tax	-	(8,158)	-	(8,158)
Total comprehensive income for the half-year	-	(8,158)	12,835	4,677
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments	-	4,096	-	4,096
Transfers	460	-	-	460
Balance at 31 December 2019	<u>3,776,212</u>	<u>33,470</u>	<u>(1,432,436)</u>	<u>2,377,246</u>
	Contributed equity \$'000	Reserves \$'000	Retained profits / (accumulated losses) \$'000	Total equity \$'000
<b>Consolidated</b>				
Balance at 1 July 2020	3,776,212	8,524	(1,623,437)	2,161,299
Profit after income tax expense for the half-year	-	-	19,142	19,142
Other comprehensive income for the half-year, net of tax	-	8,684	-	8,684
Total comprehensive income for the half-year	-	8,684	19,142	27,826
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	2,258	-	-	2,258
Share-based payments	-	4,453	-	4,453
Balance at 31 December 2020	<u>3,778,470</u>	<u>21,661</u>	<u>(1,604,295)</u>	<u>2,195,836</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

	31 Dec 2020 \$'000	Consolidated 31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	1,000,733	985,814
Payments to suppliers and employees	(827,352)	(813,977)
	173,381	171,837
Interest received	115	287
Other finance costs paid	(24,817)	(35,414)
Income taxes paid	(11,226)	(9,690)
Net cash from operating activities	137,453	127,020
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(67,416)	(82,778)
Payments for intangible assets	(33,362)	(22,791)
Net cash used in investing activities	(100,778)	(105,569)
<b>Cash flows from financing activities</b>		
Net repayments of borrowings	(37,734)	(5,391)
Repayment of finance leases and IRU liabilities	(13,902)	(13,969)
Net cash used in financing activities	(51,636)	(19,360)
Net increase/(decrease) in cash and cash equivalents	(14,961)	2,091
Cash and cash equivalents at the beginning of the financial half-year	59,604	87,199
Cash and cash equivalents at the end of the financial half-year	<u>44,643</u>	<u>89,290</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*



## Note 1. Reporting entity

The financial statements cover Vocus Group Limited as a Consolidated Entity consisting of Vocus Group Limited and the entities it controlled at the end of, or during, the half-year (collectively referred to as 'Vocus'). The financial statements are presented in Australian dollars, which is Vocus Group Limited's functional and presentation currency.

Vocus Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 10  
452 Flinders Street  
Melbourne Victoria 3000

A description of the nature of Vocus' operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 24 February 2021.

## Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period and up to the date of this report in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Except as described below, the principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### *New standards, interpretations and amendments not yet adopted by the Group*

New accounting standards, interpretations and amendments have been issued but are not yet effective, however these are not considered relevant to the activities of the Group nor are they expected to have a material impact on the financial statements of the Group.

### *Net current asset deficiency*

As at 31 December 2020, Vocus' current liabilities exceeded its current assets by \$150,819,000 (2020: \$153,202,000). Vocus is satisfied that it will be able to meet all its obligations as they fall due given its strong profitability and operating cash flows, existing cash reserves and available finance facilities. As such the financial statements have been prepared on a going concern basis.

## Note 3. Operating segments

### *Reporting segments*

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management. Operating segments represent the information reported to the chief operating decision makers (CODM), being the executive management team, for the purposes of resource allocation and assessment of segment performance.

### Note 3. Operating segments (continued)

The directors of Vocus have chosen to organise the Group around the four main divisions in which the Group operates.

Specifically, the Group's reportable segments under AASB 8 are as follows:

- Vocus Network Services
- Retail
- New Zealand
- Infrastructure, Operations and Corporate

The reportable segments represent the group's cash-generating units for impairment testing purposes, except for Infrastructure, Operations & Corporate which is allocated to the three cash-generating units.

The prior year comparative have been restated to incorporate the impacts of AASB 16 Leases into the reportable segments.

#### Major customers

During the half-year ended 31 December 2020 there were no customers of Vocus which contributed 10% or more of external revenue (31 December 2019: nil).

#### Segment revenues and results

	Vocus Network Services \$'000	Retail \$'000	New Zealand \$'000	Infrastructure, Operations & Corporate \$'000	Total \$'000
<b>Consolidated – 31 Dec 2020</b>					
<b>Revenue</b>					
Sales to external customers	341,596	360,014	195,755	-	897,365
<b>Total revenue</b>	<u>341,596</u>	<u>360,014</u>	<u>195,755</u>	<u>-</u>	<u>897,365</u>
<b>EBITDA</b>	<u>193,945</u>	<u>57,869</u>	<u>33,264</u>	<u>(97,012)</u>	<u>188,066</u>
Depreciation and amortisation					(131,145)
Net finance costs					(28,282)
<b>Profit before income tax expense</b>					<u>28,639</u>
Income tax expense					(9,497)
<b>Profit after income tax expense</b>					<u>19,142</u>
<b>Consolidated – 31 Dec 2019</b>					
<b>Revenue</b>					
Sales to external customers	331,211	382,235	188,459	-	901,905
<b>Total revenue</b>	<u>331,211</u>	<u>382,235</u>	<u>188,459</u>	<u>-</u>	<u>901,905</u>
<b>EBITDA</b>	<u>184,769</u>	<u>67,737</u>	<u>32,154</u>	<u>(103,473)</u>	<u>181,187</u>
Depreciation and amortisation					(135,300)
Net finance costs					(26,018)
<b>Profit before income tax expense</b>					<u>19,869</u>
Income tax expense					(7,034)
<b>Profit after income tax expense</b>					<u>12,835</u>

#### Revenue by geographical area

Vocus Network Services and Retail both predominantly earn revenue in Australia with insignificant rest of world income, the New Zealand segment only earns revenue in New Zealand.

### Note 3. Operating segments (continued)

#### Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

### Note 4. Revenue

#### Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Vocus Network Services \$'000	Retail \$'000	New Zealand \$'000	Total \$'000
<b>Consolidated – 31 Dec 2020</b>				
<i>Major product lines</i>				
Voice	49,329	30,904	25,376	105,609
NBN/UFB/Broadband	50,513	185,281	102,093	337,887
Data Networks	216,030	–	16,141	232,171
Mobile	38	25,113	5,450	30,601
Data Centres	18,122	–	2,631	20,753
Energy	–	106,335	40,791	147,126
Other	7,564	12,381	3,273	23,218
	<u>341,596</u>	<u>360,014</u>	<u>195,755</u>	<u>897,365</u>
<i>Geographical regions</i>				
Australia	341,596	360,014	–	701,610
New Zealand	–	–	195,755	195,755
	<u>341,596</u>	<u>360,014</u>	<u>195,755</u>	<u>897,365</u>
<b>Consolidated – 31 Dec 2019</b>				
<i>Major product lines</i>				
Voice	45,549	50,905	26,678	123,132
NBN/UFB/Broadband	34,667	186,517	92,325	313,509
Data Networks	225,458	–	22,015	247,473
Mobile	61	27,152	5,278	32,491
Data Centres	18,813	968	2,670	22,451
Energy	–	98,426	36,105	134,531
Other	6,663	18,267	3,388	28,318
	<u>331,211</u>	<u>382,235</u>	<u>188,459</u>	<u>901,905</u>
<i>Geographical regions</i>				
Australia	331,211	382,235	–	713,446
New Zealand	–	–	188,459	188,459
	<u>331,211</u>	<u>382,235</u>	<u>188,459</u>	<u>901,905</u>

Note 5. Expenses

	31 Dec 2020 \$'000	Consolidated 31 Dec 2019 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Depreciation	78,748	74,821
Amortisation	52,397	60,479
Total depreciation and amortisation	131,145	135,300
<i>Net finance costs</i>		
Interest income	(1,777)	(1,792)
Interest expense	30,059	27,810
Net finance costs	28,282	26,018
<i>Employee benefits expense</i>		
Salaries and wages expense	78,311	82,521
Employee on-costs expense	13,801	13,797
Employee leave expense	1,226	(733)
Share-based payment expense	4,453	4,096
Other employee benefits expense	14,099	16,304
Total employee benefits expense	111,890	115,985

Note 6. Earnings per share

	31 Dec 2020 \$'000	Consolidated 31 Dec 2019 \$'000
Profit after income tax attributable to the owners of Vocus Group Limited	19,142	12,835
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	620,924,048	621,865,003
Adjustments for calculation of diluted earnings per share:		
Options	9,226,860	13,154,692
Performance rights	-	508,129
Weighted average number of ordinary shares used in calculating diluted earnings per share	630,150,908	635,527,824
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	3.08	2.06
Diluted earnings per share	3.04	2.02

Note 7. Non-current assets – plant and equipment

	31 Dec 2020 \$'000	Consolidated 30 Jun 2020 \$'000
Fibre assets – at cost	1,699,686	1,677,670
Less: Accumulated depreciation	(309,222)	(276,856)
	<u>1,390,464</u>	<u>1,400,814</u>
Data centre assets – at cost	70,189	67,797
Less: Accumulated depreciation	(36,426)	(34,149)
	<u>33,763</u>	<u>33,648</u>
Network equipment – at cost	463,119	425,992
Less: Accumulated depreciation	(247,277)	(216,321)
	<u>215,842</u>	<u>209,671</u>
Other plant and equipment – at cost	83,223	75,664
Less: Accumulated depreciation	(46,555)	(41,312)
	<u>36,668</u>	<u>34,352</u>
Capital work in progress	72,148	81,140
	<u>1,748,885</u>	<u>1,759,625</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Fibre assets \$'000	Data centre assets \$'000	Network equipment \$'000	Other plant and equipment \$'000	Capital WIP \$'000	Total \$'000
Balance at 1 July 2020	1,400,814	33,648	209,671	34,352	81,140	1,759,625
Additions	-	-	-	-	62,383	62,383
Transfers	22,284	2,411	37,547	7,599	(69,841)	-
Reclassifications	-	-	-	-	(1,478)	(1,478)
Exchange differences	(1,526)	(7)	(74)	(8)	(56)	(1,671)
Depreciation expense	(31,108)	(2,289)	(31,302)	(5,275)	-	(69,974)
Balance at 31 December 2020	<u>1,390,464</u>	<u>33,763</u>	<u>215,842</u>	<u>36,668</u>	<u>72,148</u>	<u>1,748,885</u>

No impairment indicators are present relating to the carrying value of Fibre assets, data centre assets, network equipment, other plant and equipment and projects under construction.

Note 8. Non-current assets – intangibles

	31 Dec 2020 \$'000	Consolidated 30 Jun 2020 \$'000
Goodwill	1,267,229	1,267,522
IRU capacity – at cost	206,350	199,102
Less: Accumulated amortisation	(89,571)	(81,757)
	116,779	117,345
Customer intangibles – at cost	381,046	381,047
Less: Accumulated amortisation	(304,825)	(273,843)
	76,221	107,204
Software – at cost	256,528	241,397
Less: Accumulated amortisation	(175,469)	(162,055)
	81,059	79,342
Brands – at cost	178,500	178,500
Other intangibles – at cost	2,527	2,527
Less: Accumulated amortisation	(771)	(610)
	1,756	1,917
Capital work in progress	46,923	28,238
	<u>1,768,467</u>	<u>1,780,068</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill \$'000	IRU capacity \$'000	Customer intangibles \$'000	Software \$'000	Brands & other intangibles \$'000	Capital WIP \$'000	Total \$'000
Balance at 1 July 2020	1,267,522	117,345	107,204	79,342	180,417	28,238	1,780,068
Additions	256	-	-	-	-	39,684	39,940
Transfers	-	7,257	-	15,202	-	(22,459)	-
Reclassifications	-	-	-	-	-	1,478	1,478
Exchange differences	(549)	(8)	-	(47)	-	(18)	(622)
Amortisation expense	-	(7,815)	(30,983)	(13,438)	(161)	-	(52,397)
Balance at 31 December 2020	<u>1,267,229</u>	<u>116,779</u>	<u>76,221</u>	<u>81,059</u>	<u>180,256</u>	<u>46,923</u>	<u>1,768,467</u>

No impairment indicators are present relating to the carrying value of goodwill, IRU capacity, customer intangibles, software and brands and other intangibles.

**Note 9. Current liabilities – trade and other payables**

	<b>31 Dec 2020</b>	<b>Consolidated 30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	85,856	64,717
Revenue received in advance	13,268	14,731
Accruals	96,721	141,117
Goods and services tax payable	11,788	17,117
Other payables	14,923	14,121
	<u>222,556</u>	<u>251,803</u>

**Note 10. Current liabilities – borrowings**

	<b>31 Dec 2020</b>	<b>Consolidated 30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	50,000	50,000
Upfront borrowing costs	(3,865)	(3,859)
Backhaul IRU liability	-	6,101
	<u>46,135</u>	<u>52,242</u>

Refer to note 11 for further information on assets pledged as security and financing arrangements.

Lease liability has been reclassified out of the Borrowings note and into Lease Liabilities as part of the AASB 16 Leases implementation.

**Note 11. Non-current liabilities – borrowings**

	<b>31 Dec 2020</b>	<b>Consolidated 30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	933,602	971,513
Upfront borrowing costs	(7,167)	(9,110)
	<u>926,435</u>	<u>962,403</u>

Lease liability has been reclassified out of the Borrowings note and into Lease Liabilities as part of the AASB 16 Leases implementation.

## Note 11. Non-current liabilities – borrowings (continued)

### Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	31 Dec 2020 \$'000	Consolidated 30 Jun 2020 \$'000
Bank loans	983,602	1,021,513
Lease liability	9,965	11,387
	<u>993,567</u>	<u>1,032,900</u>

### Assets pledged as security

The bank loans are secured via general security deeds over Vocus' assets and undertakings.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

### Net debt

The table below lists the carrying value of our net debt components:

	31 Dec 2020 \$'000	Consolidated 30 Jun 2020 \$'000
Bank loans	983,602	1,021,513
Backhaul IRU liability	–	6,101
Lease liability	9,965	11,387
Less: Cash	(44,643)	(59,604)
Less: Upfront borrowing costs	(11,032)	(12,969)
	<u>937,892</u>	<u>966,428</u>

### Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	31 Dec 2020 \$'000	Consolidated 30 Jun 2020 \$'000
Total facilities		
Bank loans	1,218,503	1,243,768
Bank guarantee / letter of credit facility	125,000	125,000
	<u>1,343,503</u>	<u>1,368,768</u>
Used at the reporting date		
Bank loans	983,602	1,021,513
Bank guarantee / letter of credit facility	78,774	70,182
	<u>1,062,376</u>	<u>1,091,695</u>
Unused at the reporting date		
Bank loans	234,901	222,255
Bank guarantee / letter of credit facility	46,226	54,818
	<u>281,127</u>	<u>277,073</u>



#### Note 11. Non-current liabilities – borrowings (continued)

The Group's bank facilities at 31 December 2020 consists of a \$1,343,503,360 senior finance facility (2020: \$1,368,768,000), comprising AU\$162,500,000 amortising CAPEX facility, AU\$125,000,000 bank guarantee/letters of credit facility, AU\$930,000,000 and NZ\$135,000,000 facilities that are non-amortising and can be used for general corporate purposes. Interest on the facility is recognised at the aggregate of the reference bank bill rate plus a margin.

#### Note 12. Equity – contributed equity

	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 \$'000	Consolidated 30 Jun 2020 \$'000
Ordinary shares – fully paid	621,214,651	620,571,174	3,780,297	3,778,039
Less: Treasury shares	(330,001)	(330,001)	(1,827)	(1,827)
	<u>620,884,650</u>	<u>620,241,173</u>	<u>3,778,470</u>	<u>3,776,212</u>

#### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	620,571,174		3,778,039
Issue of shares on conversion of performance rights	21 September 2020	643,477	\$3.51	2,258
Balance	31 December 2020	<u>621,214,651</u>		<u>3,780,297</u>

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Note 13. Fair value measurement

#### Fair value hierarchy

The following tables detail assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Derived from valuation techniques that include inputs for the instrument that are not based on observable market data

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated – 31 Dec 2020</b>				
<i>Assets</i>				
Energy derivatives	-	18,546	2,023	20,569
Interest rate swaps	-	41	-	41
Total assets	-	18,587	2,023	20,610
<i>Liabilities</i>				
Forward foreign exchange contracts	-	(7,975)	-	(7,975)
Interest rate swaps	-	(9,138)	-	(9,138)
Energy derivatives	-	(15,253)	(7,138)	(22,391)
Total liabilities	-	(32,366)	(7,138)	(39,504)
<b>Consolidated – 30 Jun 2020</b>				
<i>Assets</i>				
Energy derivatives	-	3,797	-	3,797
Forward foreign exchange contracts	-	2,010	-	2,010
Interest rate swaps	-	95	-	95
Total assets	-	5,902	-	5,902
<i>Liabilities</i>				
Forward foreign exchange contracts	-	(3,473)	-	(3,473)
Interest rate swaps	-	(12,593)	-	(12,593)
Energy derivatives	-	(21,351)	(1,689)	(23,040)
Deferred consideration	-	-	(160)	(160)
Total liabilities	-	(37,417)	(1,849)	(39,266)

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities are estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

#### Valuation techniques for fair value measurements

For further details on how valuation methodologies are applied in determining fair value refer to note 28 in the 2020 Annual Report.

#### Note 14. Events after the reporting period

In February 2021 Vocus announced that it had received a confidential non-binding, indicative proposal from Macquarie Infrastructure and Real Assets Holdings Pty Limited and its managed funds, in co-operation with Aware Super Pty Ltd, as trustee for Aware Super, to acquire 100% of the shares of Vocus via a scheme of arrangement at a price of \$5.50 per share.

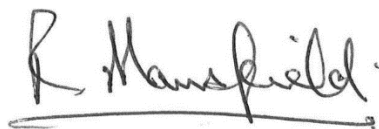
Other than the event's described elsewhere, no other significant events have occurred which would affect the Company's future earnings, operations, or state of affairs.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Vocus's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink that reads "R. Mansfield". The signature is written in a cursive style with a horizontal line underneath.

Robert Mansfield  
Non-executive, Chairman

24 February 2021  
Sydney



## **Independent auditor's review report to the members of Vocus Group Limited**

### ***Report on the half-year financial report***

#### ***Conclusion***

We have reviewed the half-year financial report of Vocus Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Vocus Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### ***Basis for conclusion***

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### ***Responsibility of the directors for the half-year financial report***

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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### *Auditor's responsibility for the review of the half-year financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A large, stylized handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Mark Dow'.

Mark Dow  
Partner

Sydney  
24 February 2021