

ASX/Media Release

Date: 17 August 2017

Confirms FY17 Underlying EBITDA and Announces Intention to Recognise a Non Cash Impairment to Goodwill

Vocus Group Limited (ASX: VOC) (Vocus) confirms today that its unaudited FY17 underlying EBITDA is \$366.4m within the Company's guidance range of \$365-375m. The unaudited FY17 underlying NPAT is \$152.3m below the Company's guidance range of \$160-165m primarily due to higher than forecast net finance costs and a higher effective tax rate at 33.4%.

As part of its FY17 full year audit process Vocus has undertaken a review of the carrying value of its assets and in particular goodwill. As a result of a review of the assumptions made to support the carrying value of goodwill, Vocus will recognise a non-cash impairment of \$1,532m post tax spread across both the Australian, \$1,333m and New Zealand, \$199m cash generating units (CGUs)¹.

In reviewing the carrying value of goodwill the Company considers a number of factors including the discount rate and terminal growth rates used. The review has been undertaken utilising the detailed five year business plans for each of the three operating Divisions and Group Services. These plans have been developed over the last few months taking into account the current competitive market environment, in particular in the Consumer broadband sector in both Australia and New Zealand. Since the last assessment of the valuation completed for the 31 December 2016 accounts, the primary changes in assumptions are:

- An increase in the discount rate used:
 - The Australian discount rate has increased from 8.5% to 9.9%
 - The New Zealand discount rate has increased from 9.01% to 10.2%

The increase in the discount rate reflects the assessed risks associated with the 5 year average growth rate assumptions for revenue in the detailed business model:

- The 5 year average blended rate across the Australian businesses is 7%

¹ CGU's prior to reorganisation

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- The 5 year average blended rate across the New Zealand businesses is 8.4%
- A change in the terminal growth rate from 3% to 2.5%, reflecting the ongoing pricing pressure across the telecommunications industry
- A reduction in the five year cumulative EBITDA estimates for both Australia and New Zealand

The Company confirms that its unaudited net debt position at 30 June 2017 was in line with forecast at \$1.029bn. Based on the unaudited accounts and factoring in the above impairment the Company's banking covenant position at 30 June 2017 is reflected in the table below.

Financial Covenants	Covenant	Position at 30 June 2017
Leverage ratio	≤3.0x (Net debt/LTM EBITDA) unless a permitted acquisition (i.e. Nextgen) in which case ≤3.5x for 18 months	2.6x
Interest cover ratio	≥5.0x (LTM EBITDA/LTM Net Interest Expense)	9.1x
Gearing	≤ 60% (Net Debt/(Net Debt + Equity))	30.9%

1. Adjusted LTM EBITDA

The Company continues to focus on executing its strategic plan and transformation program outlined at the June 2017 investor day. The imperative around these plans has accelerated in light of the increasingly competitive Consumer market in both Australia and New Zealand and the additional costs associated with migrating customers to the NBN.

The Company's FY17 full year result will be released on 23 August 2017 post completion of the audit process. The management team will host a webcast on the day of the release covering the details of the result at 9.30am (AEST). Registration for the webcast is available now via <https://edge.media-server.com/m6/p/njd2pxk7>.

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About Vocus (ASX: VOC): Vocus Group is an ASX listed, vertically integrated telecommunications provider, operating in the Australian and New Zealand markets. The Company owns an extensive national infrastructure network of metro and back haul fibre connecting all capital cities and most regional cities across Australia and New Zealand and directly connects more than 5,000 buildings. Vocus owns a portfolio of brands catering to corporate, small business, government and residential customers across Australia and New Zealand. Vocus also operates in the wholesale market providing 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.