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VOCUS DETAILS TURNAROUND STRATEGY

VOCUS NETWORK SERVICES TO DRIVE GROWTH

Vocus Group Limited (“Vocus”, ASX: VOC), Australia’s specialist fibre and network solutions provider, today outlined its three-year turnaround strategy.

Key highlights

- Strategic plan to drive long-term, sustainable growth across all business units
- Leadership team in place and aligned to execute the strategy including a comprehensive network and systems modernisation program
- Vocus Network Services, the company’s core business, has an outstanding market opportunity and strong, profitable growth expected across key markets
- Vocus Retail facing headwinds in legacy voice and broadband markets but targeting to return to profitable growth through increasing revenue in mobiles and energy
- The New Zealand business continues to be a strong performer, well positioned for further growth

Outlook Update

- Reaffirmed FY19 guidance, with underlying EBITDA expected to be between \$350m – \$370m
- Provided FY20 guidance, with underlying EBITDA expected to be between \$350m – \$370m, with EBITDA growth in its core Vocus Network Services business of \$20m - \$30m offset by a similar decline in Vocus Retail

“Today is a welcome opportunity to tell our story. We have established a clear plan and put in place an outstanding team to execute on it,” stated Vocus Group Managing Director and CEO Kevin Russell.

“We are simplifying Vocus into three independent business units, each of which has different opportunities. We are clear that our core business, Vocus Network Services, has untapped growth potential and an outstanding market opportunity. Vocus Retail is a business in turnaround, facing headwinds due to legacy voice products and the transition of customers to lower margin NBN products. Vocus New Zealand continues to be a very strong performer and is well positioned for future growth.

“We have reaffirmed our guidance range for underlying EBITDA for FY19. We have also provided guidance for FY20, during which we expect strong growth in Vocus Network Services which will however be offset by a decline in our Retail business,” continued Mr Russell.

Mr Russell concluded, “With our executive team, new operating structure and three-year strategic plan in place, we are now squarely focused on execution. The opportunity to drive sustainable, profitable growth in Vocus and unlock significant value is exciting for myself and the team. We look forward to updating the market on our progress in future reporting cycles.”

Driving profitable growth in Vocus Network Services

Vocus Network Services represents the most significant growth opportunity for the company.

“We will win market share by playing where we are strong, having a highly targeted approach to market and investing in the right products and people,” stated Mr Russell.

“The Vocus fibre network runs across Australia and into Asia, giving us connection to all mainland capitals and a foothold in regional areas. This is a strong platform from which we can gain market share with compelling customer focused offers in both domestic and international markets. We will target industry verticals across Enterprise, Government and Wholesale. We also see opportunities to partner with the NBN to enable us to win complex multi-site businesses in the Enterprise and Government segments,” he continued.

Vocus is implementing a comprehensive network and systems modernisation program, which will enable the growth in the business and contribute significant annual operating cost and capital expenditure reductions within the next 3 years. The program will also provide Vocus with the ability to disrupt the market with new commercial models, easier product innovation and enable Vocus to deliver a better customer experience.

Vocus has proven credentials to win and build new large-scale cable projects, recently demonstrated by the Australian Government’s engagement of Vocus to build the Coral Sea Cable on its behalf, and by the completion of its own Australia Singapore Cable. The Company has identified a further pipeline of strategic fibre builds that will strengthen its existing infrastructure in North-West Australia.

“As an infrastructure company, we must have a long-term mindset. The cable build opportunities that we have identified are attractive opportunities that will be underpinned by stable long-term annuity revenues. Our willingness to bid for these projects will be based on the financial returns they will generate and the level of customer funding,” stated Mr Russell.

Strategic reset of Vocus Retail

Vocus Retail is being established as a standalone business, with a strategy in place that will return the business to revenue and profit growth. The turnaround will be driven by a move to a low cost digital operating model with greater automation of sales, marketing and customer care, along with a diversification of its product portfolio to increase revenue generated from mobiles and energy.

During FY19, significant steps have been made, including:

- Brand refreshes across Dodo and Commander including Commander Centre channel reinvigoration and opening of new centres
- MVNO agreement renegotiated with Optus, driving better mobile offers and having a pathway to 5G and fixed wireless broadband
- Product simplification and Implementation of a digital operating model

In FY20, Vocus will roll out new ranges of bundled products which are broadband-led and attaching energy and mobile, unlocking a single view of customer households.

Building on a winning formula in New Zealand

Mr Russell said Vocus New Zealand is an established challenger with a proven track record of organic growth.

“In New Zealand we have a very successful business that is well positioned for growth. In the short term, we are focused on introducing improved bundling across our retail offer, expanding our presence in the government market and further reducing costs through automation,” concluded Mr Russell.

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About Vocus

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