

ASX Release

28 September 2015

VOCUS AND M2 TO MERGE

CREATING A FULL-SERVICE VERTICALLY INTEGRATED TELCO, VALUED AT MORE THAN \$3BN

- **Combined revenue of c. \$1.8bn and EBITDA of c. \$370m in FY16E¹, before synergies**
- **Market capitalisation in excess of \$3bn and eligible to sit well within the S&P/ASX 100**
- **Expected cost synergies of c. \$40m per annum, to be fully realised by the end of FY18**
- **Vocus and M2 Boards unanimously support the merger**
- **An all-share ('scrip') transaction, where M2 shareholders will receive 1.625 Vocus shares for each M2 share**
- **Implemented via an M2 scheme of arrangement**
- **Investor conference call at Monday 28 September 2015, 10.30am (AEST)**

Merger Structure and Key Terms

Vocus Communications Ltd ("Vocus", ASX:VOC) and M2 Group Ltd ("M2", ASX:MTU) have entered into a Merger Implementation Agreement ("MIA"), under which the two companies will merge, by way of an M2 scheme of arrangement ("Scheme").

M2 shareholders will receive 1.625 Vocus shares for each M2 share, if approved.

M2's Board of Directors unanimously recommend that shareholders vote in favour of the Scheme, in the absence of any superior proposal and subject to the Independent Expert opining that the scheme is in the best interests of M2 shareholders.

The MIA and the Scheme are subject to usual conditions precedent for a scrip merger such as this, including M2 shareholder, Court and regulatory approval (including ACCC), the Independent Expert's opinion, and no material adverse change occurring to either party.

The obligations of Vocus and M2 regarding the implementation of the Scheme, the Scheme conditions and deal protections are set out in the MIA, a full copy of which will be released via an ASX announcement today.

¹ Combined pro forma revenue and EBITDA for FY16E based on Bloomberg consensus as at 25 September 2015 pre synergies and one-off transaction costs

Strategic Rationale

The merged company becomes the 4th largest integrated telco in Australia and the 3rd largest in New Zealand.

- Creates a full-service vertically integrated, infrastructure-backed trans-Tasman telco, with scale and proven capabilities relevant to every individual, corporate and government entity in Australia and New Zealand
- A diverse product portfolio encompassing:
 - Retail internet
 - Retail electricity and gas
 - Corporate internet and IP voice
 - Wholesale internet and IP voice
 - Data centre and cloud services
 - International and domestic bandwidth
 - Dark fibre
- Strategically positioned to take full advantage of the NBN in Australia and UFB in New Zealand
- Combined revenue of c. \$1.8bn and EBITDA of c. \$370m in FY16E², before synergies
- Combined market capitalisation of \$3.0bn+ and eligible to sit well within the S&P/ASX 100
- Expected cost synergies of c. \$40m per annum, to be fully realised by the end of FY18
- Strong combined balance sheet with leverage of c. 1.8x net debt to FY16E EBITDA³
- Significant revenue synergies available via expanded product set and distribution capabilities
- Combines two closely aligned, 'challenger' cultures

Management and Governance

James Spenceley, CEO and founder of Vocus, will continue on the combined Board as Executive Director with a focus on telco infrastructure strategy. Geoff Horth, CEO of M2, will be appointed as the CEO of the merged group.

Vaughan Bowen, Executive Director and founder of M2, will also continue on the combined Board as Executive Director, retaining his focus on strategic acquisition opportunities.

The merged entity's Board will be comprised of eight directors, with four each from Vocus and M2. David Spence, Chairman of Vocus, will be Chairman of the combined group. Craig Farrow, M2 Chairman, will be appointed Deputy Chairman. Tony Grist, formerly of Amcom Telecommunications Ltd, will continue as a Non-Executive Director.

² Combined pro forma revenue and EBITDA for FY16E based on Bloomberg consensus as at 25 September 2015 pre synergies and one-off transaction costs

³ Based on combined pro forma net debt as at 30 June 2015 and FY16E consensus EBITDA pre synergies and one-off transaction costs

Comments

David Spence, Chairman of Vocus, said: "The merger of Vocus and M2 is a compelling opportunity for all shareholders. The businesses combine Vocus' telecommunications infrastructure and corporate customer base with M2's demonstrated expertise in the consumer and SME segments. The merger creates the 4th largest vertically integrated telecommunications company in Australia and the 3rd largest in New Zealand."

Craig Farrow, Chairman of M2, said: "M2 and Vocus are an excellent fit, being highly complementary and culturally aligned. Both have successful track records of creating substantial value for shareholders and, together, we will retain this focus. Our ability as a merged company to capture future growth opportunities in Australia and New Zealand will be significantly enhanced."

Indicative Timing

A Scheme Booklet is expected to be dispatched to M2 shareholders in late 2015.

M2 shareholders will vote at a Scheme meeting expected to be held in early 2016. Subject to the conditions of the Scheme being satisfied, the Scheme Implementation Date will be early 2016.

Vocus is being advised by Credit Suisse Emerging Companies and Minter Ellison. M2 is being advised by Goldman Sachs and Allens.

Investor Conference Call

A conference call will be held for investors and analysts:

Monday 28 September 2015, 10.30am (AEST)

Conference call details are:

Toll free:	1800 554 798
International:	+61 2 8113 1400
Conference ID:	6570633

OVERVIEW OF VOCUS

Vocus Communications is an ASX listed leading telecommunications provider of data centre, dark fibre and international internet connectivity across Australia, NZ, Singapore and the US. The company 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.

Vocus owns over 1,600km of metro fibre in Australia and over 4,300km of intercity fibre in New Zealand. Vocus' metro fibre network connects over 3,400 buildings in capital cities and has an additional c. 30,000 buildings within its footprint.

Vocus has a strong track record of accretive acquisitions, acquiring data centre providers E3 Networks in 2010 and Perth iX in 2011, dark fibre provider Digital River in 2011, Maxnet and Ipera Communications in 2012, the Bentley Data Centre and FX Networks in 2014, and the data centre business of Enterprise Data Corporation and Amcom Telecommunications in 2015.



OVERVIEW OF M2

M2 Group Ltd is a fast-growing provider of a range of communication, utility and insurance services to Australian and New Zealand households and small businesses.

In Australia, M2's business segment encompasses the Commander and Engin brands, offering a suite of traditional and next-generation managed voice and data services, equipment, personalised service and value-added offerings. The consumer segment, under the leading brands of Dodo and iPrimus, provides Australian households with a low-cost alternative for the full range of telecommunications services in addition to energy and insurance.

In New Zealand, M2 operates under the leading brands of CallPlus, Slingshot, Orcon, 2Talk and Flip. The CallPlus group of companies is New Zealand's third largest provider of broadband, mobile and fixed line services. The 'Slingshot' and 'Orcon' brands spearhead CallPlus's consumer offerings, with 'CallPlus Business' and '2Talk' aimed at the small and medium business market.

For more information, please contact:

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