Macquarie Technology delivers tenth consecutive year of profitable growth.

28 August 2024

Macquarie Technology Group Ltd (ASX: MAQ) (the Company) today announced its results for the year ended 30 June 2024, which were in line with guidance.

Chairman Peter James said, "*Our 10th consecutive year of EBITDA growth is underpinned by the consistent execution of our digital infrastructure strategy*."

Key Points

- Ten consecutive years of EBITDA growth.
- Group Earnings before interest, tax, depreciation, and amortisation (EBITDA) of $109.1 million, an increase of 13.9% over the last 3 years.
- Conversion of EBITDA to operating cash flows generated total operating cash flows of $117.8 million during the year. Strong 103.8% cash conversion of EBITDA into operating cash flows, after excluding tax received and interest.
- Completed acquisition of 17-23 Talavera Rd, Macquarie Park for $174 million plus transaction costs, including a $90 million loan note from the vendor.
- Successful institutional investor capital raising of $100 million to support acquisition of 17-23 Talavera Rd, Macquarie Park.
- Capital expenditure was $51.1 million before acquisition of Macquarie Park driven by Growth Capex of $24.0 million, Customer Related Capex of $18.5 million and Maintenance Capex of $8.6 million.

Chief Executive David Tudehope said, "*The acquisition of the Macquarie Park Data Centre Campus land, along with the $100 million equity raise, has positioned us for the growth of our digital infrastructure platform for the years ahead.*"

Outlook

- The Company's EBITDA is expected to grow in FY25, which would be 11 consecutive years of growth.
- Due to demand from the AI megatrend, we are looking to increase IT load of IC3 SuperWest from 38MW to 45MW. This increase would take the campus from 56MW to 63MW (subject to regulatory approvals which are underway).
- Access to 63MW of power is available upon opening of IC3 SuperWest.
- Phase 1 construction cost is expected to be circa $350 million and will deliver powered core and shell along with 6MW of IT Load fitted out.
- Expect Phase 1 construction of IC3 Super West to be completed by Q3 2026.
- Our data centre assets have been aligned into a new corporate structure to facilitate future growth and external funding opportunities.
- We are investing in our capabilities to support the growth in the MDC platform.
- Focused on acquiring a new campus in Sydney to enable our growth plans to ensure capacity runway for our customers and prospects.
- We see strong demand for cloud and cyber security services. However, the revenue and EBITDA growth rate in Macquarie Cloud Services and Macquarie Government will slow in FY25 due to US tech vendors increasing global pricing beyond CPI. We have not been able to fully pass on these additional costs to Government customers due to contract terms. We are addressing this in FY25 with new government contracts and changing to new tech vendors.
- We are continuing to invest in people to grow our business.
- Telecom business has evolved to a managed connectivity and network security business via SDWAN.
- Telecom focused on maintaining operating efficiencies and generating free cash flow.
- Group wide leveraging of AI internally and designing infrastructure and services to enable AI for our customers.

- Depreciation and amortisation for FY25 is expected to be $49 million to $54 million. The net impact of the Keppel transaction is expected to decrease depreciation and amortisation by $1 million. Hosting depreciation and amortisation is expected to be at $40 million to $44 million and Telecom depreciation $9 million to $10 million in FY25.
- The Company plans to make further investment in growth and customer growth capex during FY25. Total capex before IC3 Super West is expected to be between $34 million to $40 million consisting of:
  - Customer Growth - $20 million to $22 million,
  - Growth Capex - $2 million to $4 million,
  - Maintenance Capex - $12 million to $14 million.

  IC3 Super West capex is expected to be between $110 million to $130 million.
- Telecom capex is expected to remain broadly flat at $8 million to $9 million in FY24, with Hosting capex at $136 million to $161 million.
- Due to strong banking appetite, the new debt facility will be on improved terms. The capacity will significantly increase from the currently undrawn $190 million and is expected to be in place within 1H FY25.

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About Macquarie Technology Group
We're Australia's data centre, cloud, cyber security and telecom company for mid to large business and government customers. The way we do this is completely different from our competitors… we provide the best customer service in Australia.

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