



## **People Telecom Limited**

(ACN 009 273 152 ASZ / NZX: PEO)

### **2005 Annual General Meeting**

#### **CEO's Speech**

2005 has been a tremendous year for People Telecom delivering enormous growth in both top line revenues and earnings.

We set out to become a leader in the sales and delivery of telecommunication services for small and medium businesses in Australia offering a unique best-of-breed solution that differentiates us from our competitors.

#### **SLIDE 1 – BEST OF BREED**

By best-of-breed we mean that we are the only company that offers a full managed telecommunications service to small and medium businesses encompassing multiple network products including:

- All fixed wire voice services
- GSM and CDMA mobile services
- Broadband and Internet services
- PABX systems delivery and service
- Fibre optic services on our own network
- Co-Location services via our state of-the-art data centre

All delivered on one monthly account managed by your personal account manager. A one stop shop if you will.

## SLIDE 2 – FINANCIAL YEAR IN REVIEW

We started the year with annual revenues of just over \$73 million and a business that was in the red but growing fast. As a result of acquiring the People Telecom Group of companies we were able to transform ourselves from a small Western Australian fibre optic, managed data and broadband services business to a national integrated telecommunications carrier operating right around Australia.

We ended the year with:

- revenues of \$100 million that is all organic growth of 38%
- a shift from an EBITDA loss in 2004 of \$3.3 million to an EBITDA profit of \$2.6 million in 2005
- a reduction in our operating costs including cost of sales from 26% to 22%
- delivery of all voice, mobile and data services bundled
- over 45,000 total customers
- 34,000 ADSL tails in service with 5,000 of those bundled with voice and over 50% of these business customers

## SLIDE 3 – COMPETITIVE POSITIONING

We began in the data services market establishing a competitive value proposition based on service quality and pricing by building a technologically superior and cost effective pure IP network in the Perth CBD area.

Our key differentiating factors in the provision of ADSL include:

- Rapid service provision
- High quality service (reliable service, fast download speeds)
- Competitive pricing
- And an extensive distribution and national agent network

We built on this value proposition by expanding to a national presence and by progressively offering a broader range of complementary services such as mobile and fixed voice.

In moving to a national model outside the provision of both corporate data and ADSL services we adopted a reseller model in order to minimise fixed costs and capex requirements and hence developed strong relationships with Telstra, Optus and others for fixed and mobile voice products.

But now the final string to our bow is being added, that of the convergence of the voice and data services.

Put simply we will use our data connections to carry the voice services whether this is by a broadband connection or on our Cisco IP network.

#### SLIDE 4 – INCREASING OUR MARGINS

Not only will this enable us to be a leader in the delivery of voice over data or VoIP as we know it but will start to:

- Lift our margins away from typical reseller models
- Improve our bottom line performance
- Reduce churn as the customer is now connected to our network and on longer term contracts
- Protect our margin whilst remaining price competitive in this dynamic industry

#### SLIDE 5 – IP TELEPHONY UNLOCKING VALUE

So this will unlock the real value in \$100 million customer base. And this will continue in the years to come with the delivery of the virtual PABX. Put simply we are about to launch the future of PABX in Australia called "People Evolve".

Imagine no PABX in your office to manage or breakdown - IP telephones simply connect into a device that is connected to our data network. You can self manage your own PABX and services right from your desktop - online – no service contracts and no need to call out a systems maintainer if you want changes ! This new service called People Evolve will:

- significantly cut the cost of managing PABX's
- lock in customers to new technologies improving their own business
- drive longer term relationship reducing churn
- increase our margins conversely our bottom line
- further differential us from the mainstream competition

## SLIDE 6 – COMPETITIVE POSITIONING

Our competitive position is such that we are the only company that can package and deliver multiple network services including our own and has no legacy network to depreciate.

As a result we have maintained a high return on investment with most of our investment in sales and marketing to drive our top line revenue growth.

And we won't stop there to improve communications services and costs for businesses in Australia. In addition to the expansion of our major data centre soon we will be delivering the future of ADSL being ADSL2 and we'll join the mobile data revolution with the launch of 3G mobile products.

So businesses in Australia you can rely on one unique telephone carrier for all their new age communications needs so they can start focusing on their own businesses rather than the future of coms.

## SLIDE 7 – KEY BENCHMARKS

Let's have a quick look at the Key Performance Indicators of our company, the main KPI's being:

- Top line revenues
- The investment in customer acquisitions
- Strong Cash Collections

## SHOW AND REVIEW SLIDES 8, 9 and 10

Finally, I wanted to finish with some recent operational highlights.

## SLIDE 11 – RECENT OPERATIONAL HIGHLIGHTS

In 2005 we substantially reduced our opex and cost of sales from 26% to 22% and naturally we would like to see further savings. We opened a 700 square meter fibre connected data centre, integrated our IP network with the Unwired and iBurst networks, Launch Blackberry for our mobile customers and as a testament to our promise of “Service First Always”, we won the NSW and ACT Excellence in Customer Service Award for Small Business and today the 2005 Deloitte Technology Fast 50 where we came number 1.

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