

# People Telecom

**John Stanton, CEO**

**Citigroup Micro Caps Conference**

**Sydney 28 March 2007**

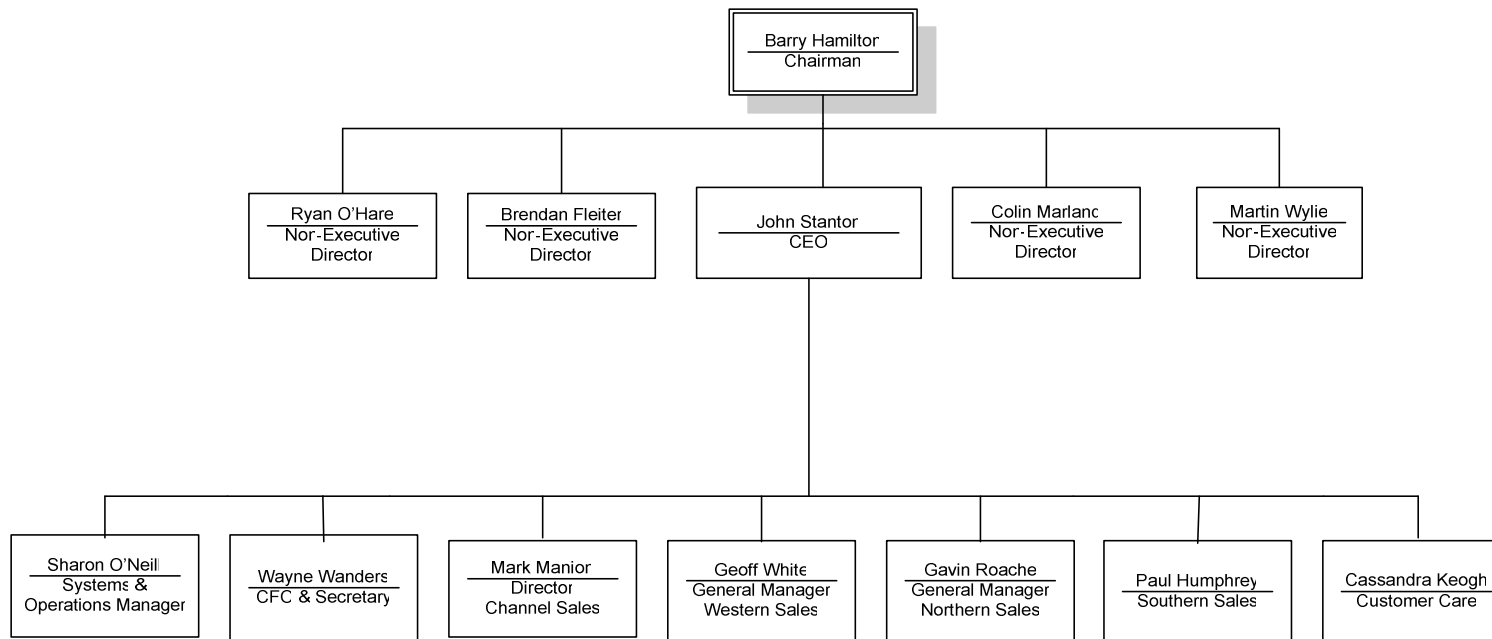
**people**  
TELECOM

[ talk to people ]

# Group overview

- Launched Telecommunications Services: February 2000
- Full service telecommunications product and service provider – retail and wholesale
  - Voice (mobile and fixed)
  - Data (broadband, wireless and VPN)
- Business grade VoIP
- SME & Home Office focus
- Billed Services in Operation: 105,000
- Customers: 40,000
- ARPU: \$2,744 p.a.
- Employees: 140

# Management structure – as at 1<sup>st</sup> March 2007



# Company information

## Capital Structure

- 308 million shares on issue
- Current market cap \$22.2 million at 7.2c per share
- Cash at end February 2007 \$2.31 million

## Top Four Shareholders

- Mr Brendan Fleiter
- Mr Ryan O'Hare
- Mr Colin Marland
- Mr Barry Hamilton

# Key business drivers

- Strong sales from all channels balanced by cost of acquisition
- Quality relationships with carrier partners
- Managed churn
- Quality, award winning customer service
- Investing further in customer retention

# Full year in review

- Continued growth in revenues – up 11% to \$110.78 million in .
- Year-on-year growth most rapid in:
  - Mobile revenues – up 16% to \$20.2 million
  - Fixed Voice – up 15 % to \$65.8 million
  - Business Grade Data – up 10% to \$7.1m
- EBITDA profit of \$0.5 million (before goodwill write-down)
- Net operating cash flow of \$2.5 million, compared to \$0.1m in 2005
- Gross margin grew 2% to \$25.4 million

# Half year in review

- Revenues impacted by restructuring & one-off events:
  - ADSL2+ network
  - Temporary absence of mobile re-sign bonuses.
- Recurring gross margin of \$13.4 million – increase in dollar and percentage terms:
  - Consumer grade recurring revenue - grew by 14%
  - Mobile recurring revenue – grew by 5%
  - Business Grade Recurring Data revenues – grew by 12%

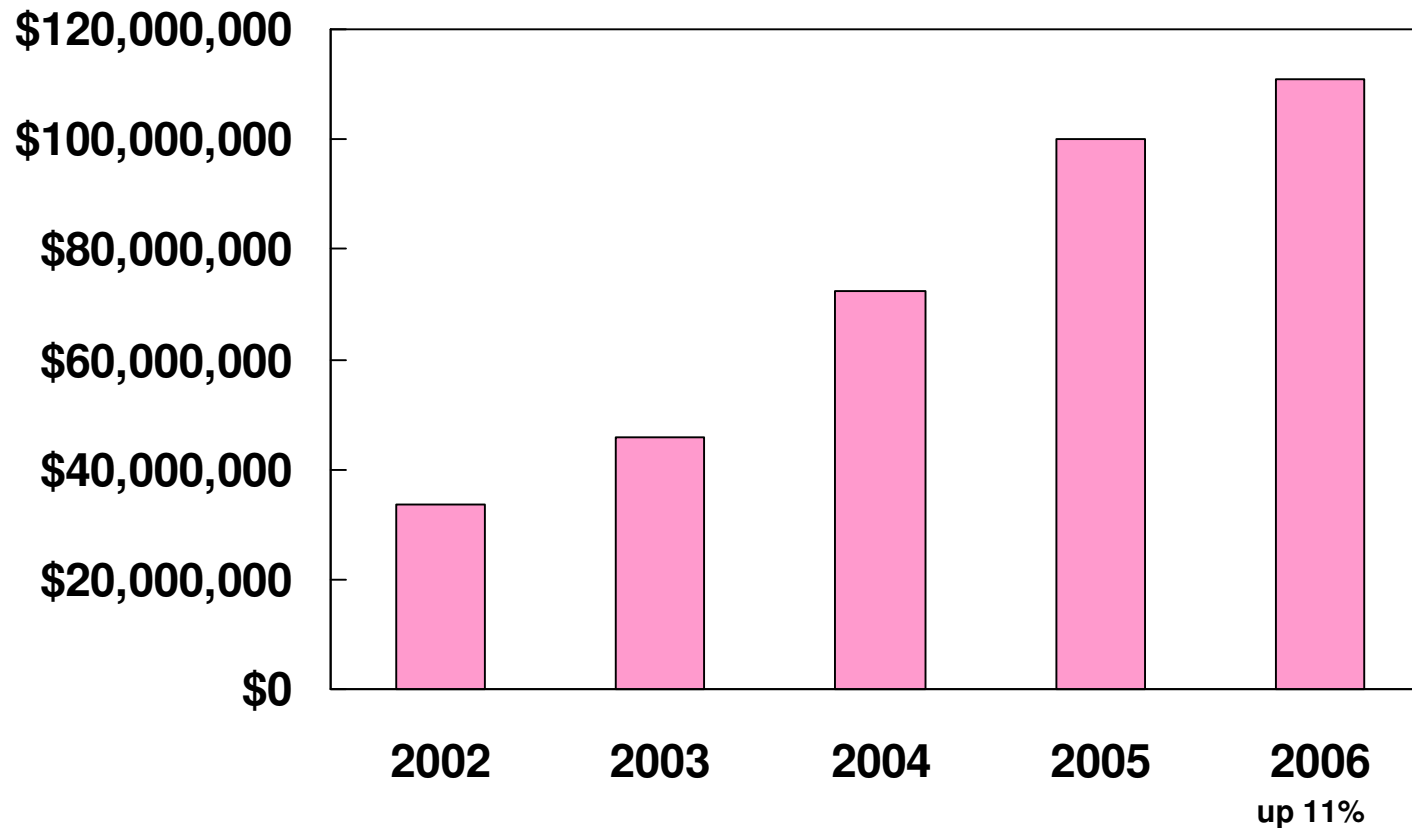
# Positive Impacts in Second Half

- Strong cash-flow from \$6.25 million cash sale of Perth Assets & organic improvement
- Improved margins in mobile services and ADSL services
- Positive effect of delayed mobile re-sign payments from March onward
- Improved non-wholesale cost base

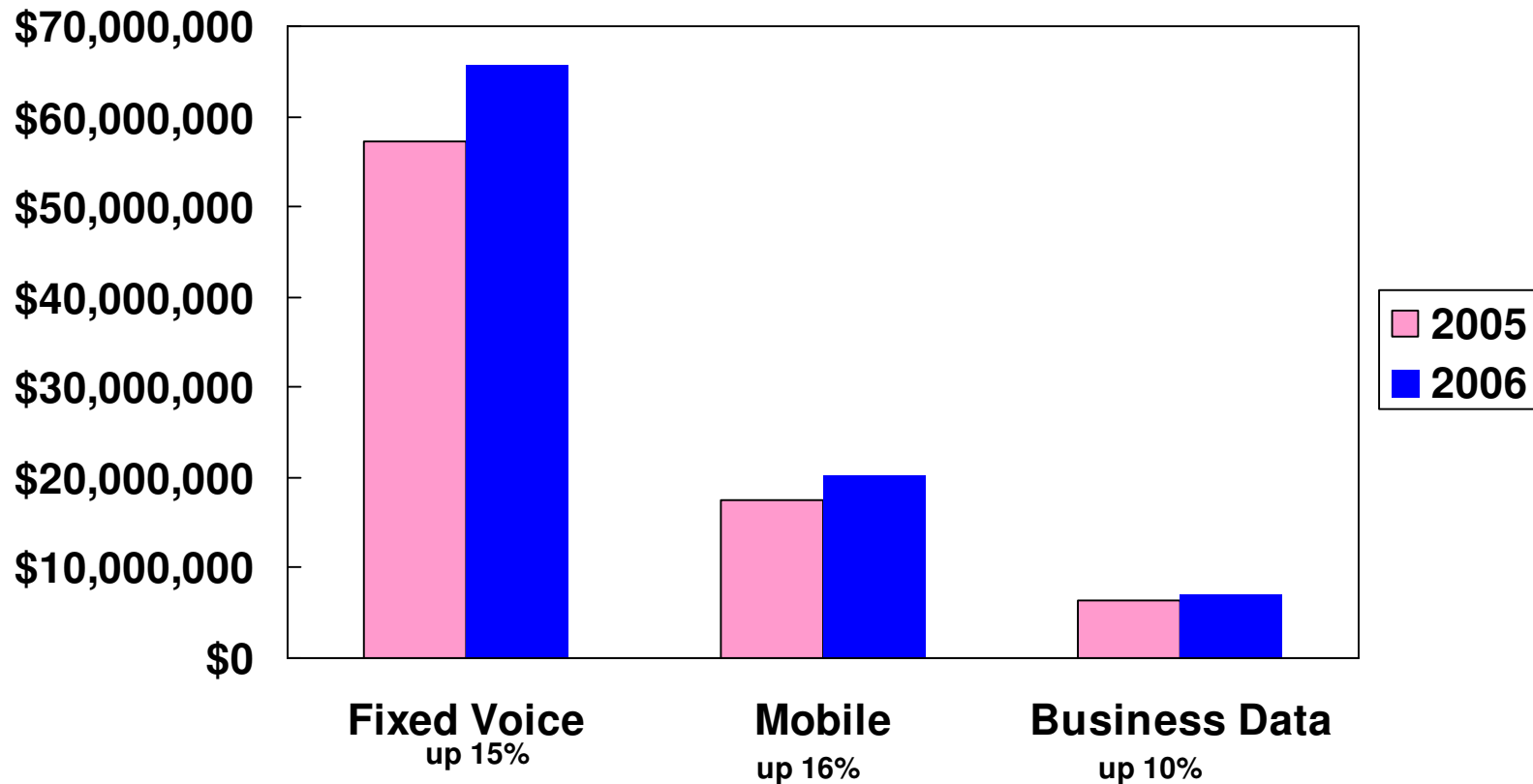
# Recent milestones

- New \$100 million agreement with Telstra for fixed line and broadband services
- New \$21 million agreement with Optus for GSM and 3G mobile services
- Sales of Perth Corporate Data business to Amcom Telecommunications for \$6.25 million. Completion scheduled for 31 March 2007.

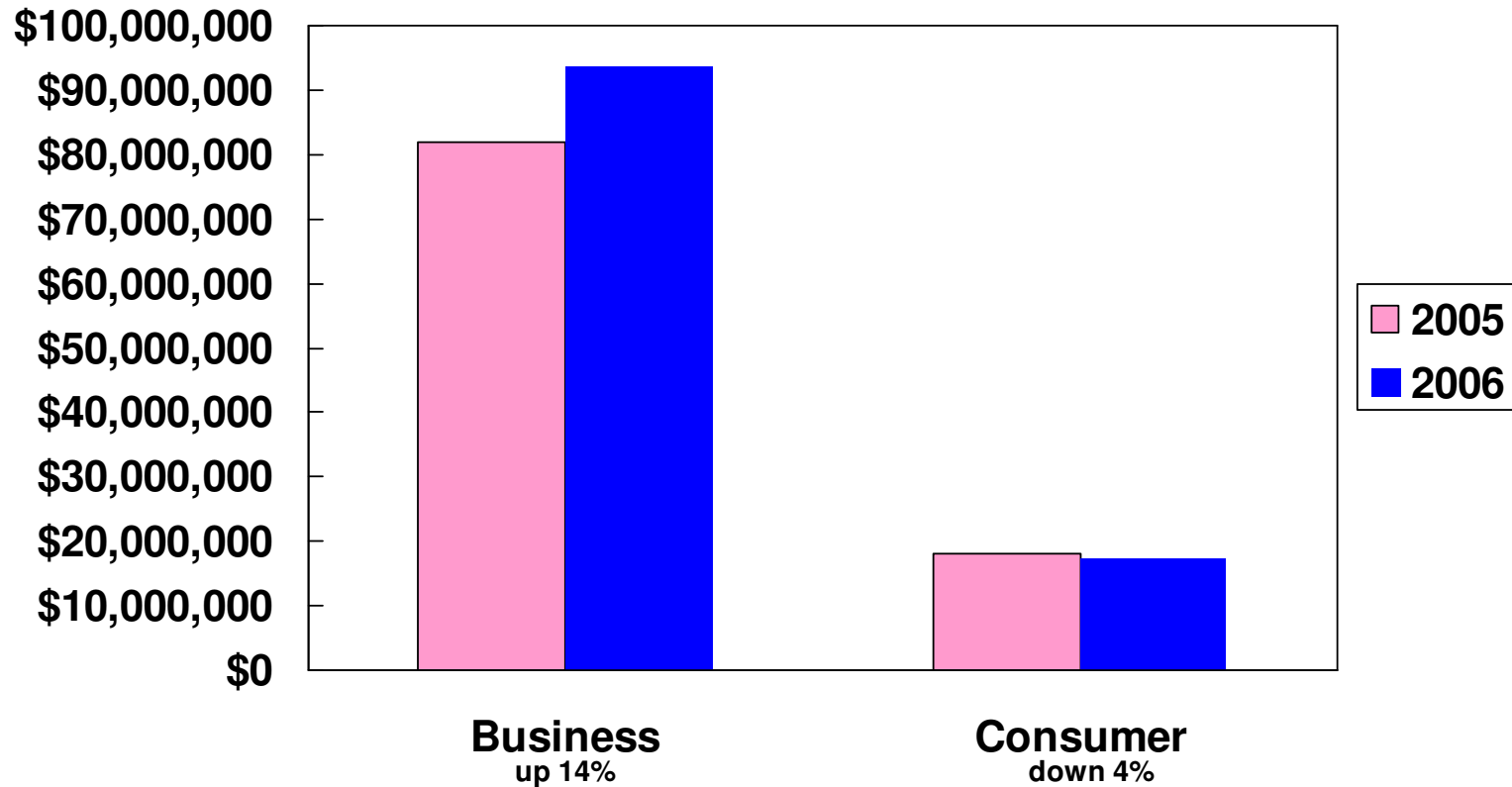
# Revenue growth year-on-year



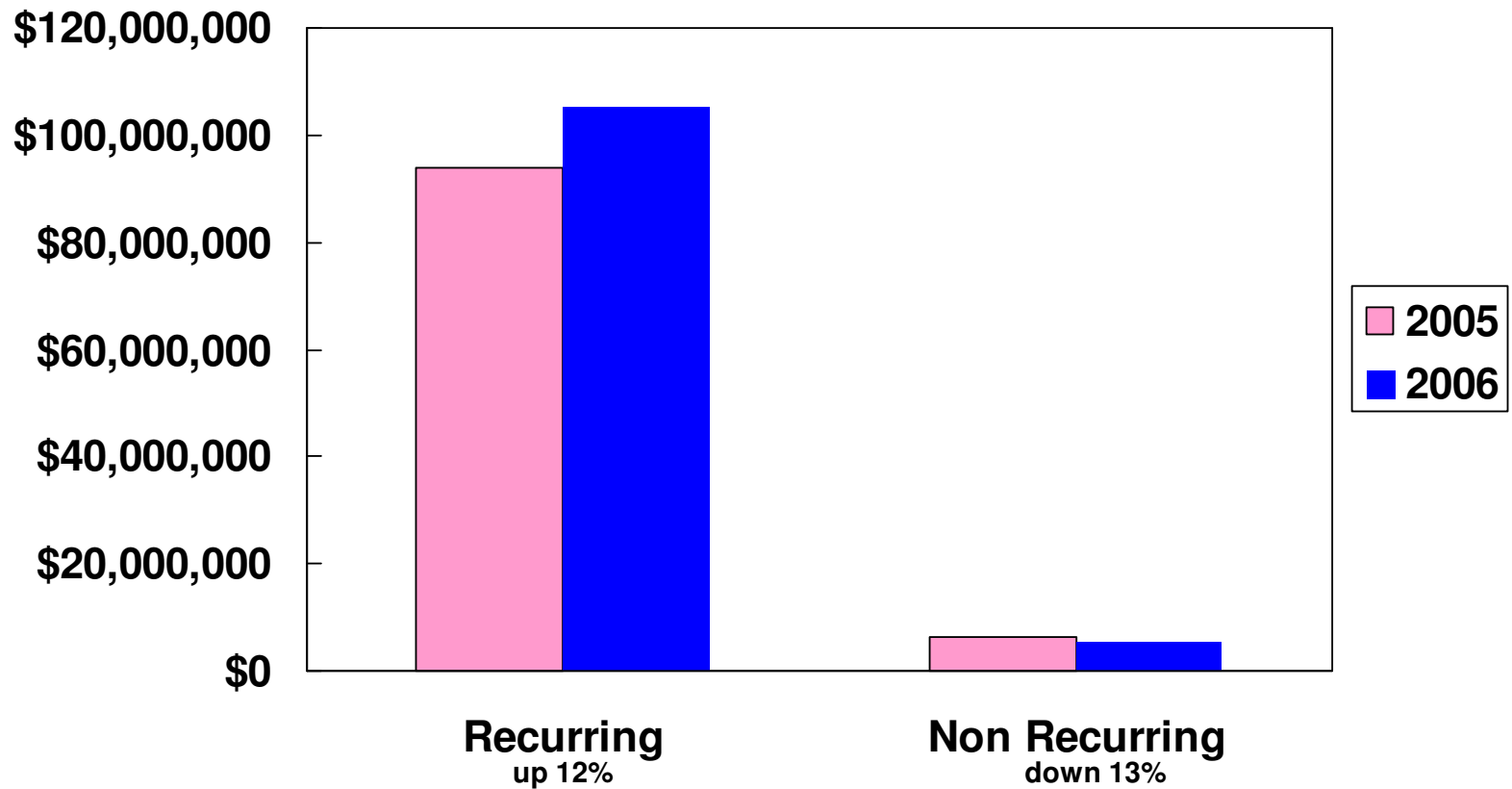
# Revenue by product



# Revenue by segment



# Revenue by type



# Sector differentiation

- People Telecom has a unique strategy that sets it apart from other Tier 2 and 3 providers:
  - Focus on SME = clear market differentiation
  - Excellence in customer service resulting in lower churn than industry standard
  - Fast to move to next generation network and provide new technologies
  - Strategic growth through acquisition & organic growth
  - No “build and they will come mentality” - focus on building customer base rather than overcapitalising on infrastructure investment

# 2007 outlook – operational strategy

- Focus on improved execution of core business
- Continued revenue growth but strong focus on profitability:
  - Implementing a wide-ranging program to improve operational efficiencies and internal processes; and
  - further reductions in wholesale costs
- Targeted to improve customer service, maximise customer retention, generate profitable growth and put People on a stronger competitive footing

# Operational Focus

- Provisioning and customer activation
- Customer service
- Internal processes and procedures
- Sold-to-tolled variance
- Customer churn
- Product portfolio

# “New people” program

Commenced August 2006: An ongoing and central part of the way we manage our business.

## Phase 1 Action Plans

1. Re-engineer customer provisioning and activation
2. Restructure customer care to optimise service levels and reduce costs
3. Customer issue resolution
4. People Telecom processes
5. People Telecom products
6. Retention

**Generating a strong platform for profitable growth**

# Consolidation Looms

**Telecoms Tier 2/3 providers in Australia under pressure – this creates opportunities for players & investors alike**

- Share values generally depressed
- Need for scale & benefit of synergies
- On-net plays can generate greater earnings

# Summary

## **People Telecom offers an attractive proposition for investors:**

- Unique market position as a full service provider to small business and home office sector
- Commitment to service, strong partner relationships and excellent sales record have been key value drivers
- Company continues to provide year on year revenue growth and is restructuring to improve earnings
- Implementing new program to achieve profitable growth through:
  - Improved operational efficiency
  - Strategic acquisition and organic growth