

ASX ANNOUNCEMENT

Date: 18 May 2021

COURT APPROVES DISTRIBUTION OF SCHEME BOOKLET AND CONVENING OF SCHEME MEETING AND SCHEME BOOKLET REGISTERED WITH ASIC

Vocus Group Limited ("Vocus", ASX:VOC) is pleased to provide the following update in relation to the proposed acquisition of Vocus by Voyage Australia Pty Limited (a company owned by a consortium comprising Macquarie Infrastructure and Real Assets and its managed funds, and Aware Super Pty Ltd as trustee of Aware Super), by way of a scheme of arrangement ("Scheme").

The Supreme Court of New South Wales ("Court") has today made orders:

- that Vocus convene a meeting of Vocus shareholders to consider and vote on the proposed Scheme ("Scheme Meeting"); and
- approving the despatch of an explanatory statement providing information about the Scheme and notice of the Scheme Meeting ("Scheme Booklet").

The Scheme Booklet has also today been registered with the Australian Securities and Investments Commission.

Scheme Booklet/Independent Expert's Report

A copy of the Scheme Booklet, which includes the Independent Expert's Report and a Notice of Scheme Meeting, is attached to this announcement.

The Scheme Booklet provides Vocus shareholders with information about the Scheme. Vocus shareholders are advised to read the Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the Scheme.

The Scheme Booklet includes a copy of the Independent Expert's Report prepared by Deloitte Corporate Finance Pty Limited ("Independent Expert"). The Independent Expert has concluded that the Scheme is in the best interests of Vocus shareholders, in the absence of a superior proposal. The Independent Expert has assessed the full underlying value of Vocus Shares at between \$4.98 and \$5.60 per Vocus Share. The Scheme Consideration of \$5.50 per Vocus Share that is payable to Vocus shareholders (subject to the Scheme becoming effective) is within this range. The Independent Expert's conclusions should be read in context with the full Independent Expert's Report and the Scheme Booklet.

Directors' recommendation

The Vocus Board continues to unanimously recommend that Vocus shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a superior proposal. Each Vocus Director

intends to vote all the Vocus Shares held or controlled by them in favour of the Scheme, in the absence of a superior proposal.

Accessing the Scheme Booklet

The Scheme Booklet is available for viewing and downloading at www.vocscheme.com.

In addition, Vocus shareholders who have previously elected to receive communications electronically will receive an email to their nominated email address during the course of this week, that will contain instructions about how to view or download a copy of the Scheme Booklet. Vocus shareholders who have not made such an election will receive a letter (sent by post to their registered address) containing details of where they can view and download the Scheme Booklet. This letter will be sent to applicable Vocus shareholders during the course of this week.

Vocus shareholders who wish to receive a printed copy of the Scheme Booklet may request one by visiting www.vocscheme.com or calling the Vocus Shareholder Information Line on 1300 219 444 (within Australia) or +61 3 9415 4326 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

Scheme Meeting

The Scheme Meeting will be conducted as a virtual meeting at 10.00am (Sydney time) on Tuesday 22 June 2021. There will be no physical Scheme Meeting. Vocus shareholders (or their proxies, attorneys or corporate representatives) will be able to attend and vote at the Scheme Meeting through an online platform available at <https://web.lumiagm.com/> (meeting ID 380-763-474).

All Vocus shareholders are encouraged to vote either by attending and voting at the virtual Scheme Meeting or by lodging a proxy to attend and vote at the virtual Scheme Meeting. The Notice of Scheme Meeting provides information on how to lodge your Proxy Form (if applicable).

Further information

Vocus shareholders can obtain further information in relation to the Scheme Booklet, the Scheme or the Scheme Meeting by visiting www.vocscheme.com or calling the Vocus Shareholder Information Line on 1300 219 444 (within Australia) or +61 3 9415 4326 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

This announcement is authorised for release by the Board.

– ENDS –

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SCHEME BOOKLET

In relation to the proposed acquisition of Vocus Group Limited (**Vocus**) by Voyage Australia Pty Limited (**Voyage**) by way of Scheme of Arrangement.

Vocus Group Limited ACN 084 115 499

VOTE IN FAVOUR

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME IN THE ABSENCE OF A SUPERIOR PROPOSAL.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE SCHEME IS IN THE BEST INTERESTS OF VOCUS SHAREHOLDERS.

As a result of the potential health risks associated with large gatherings, and the ongoing COVID-19 pandemic, the Scheme Meeting is scheduled to be held online at 10.00am (Sydney time) on Tuesday 22 June 2021.

This Scheme Booklet is important and requires your prompt attention. You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.

If you have any questions in relation to this Scheme Booklet or the Scheme, please contact the Vocus Shareholder Information Line on 1300 219 444 (within Australia) or +61 3 9415 4326 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Sydney time).

This Scheme Booklet is prepared for persons shown in the Vocus Share Register as holding Vocus Shares. If you have recently sold all of your Vocus Shares, please disregard this Scheme Booklet.

Financial Adviser

CREDIT SUISSE



Legal Adviser

Allens & Linklaters

VOCUS

For personal use only

Important notices

Nature of this Scheme Booklet

This Scheme Booklet provides Vocus Shareholders with information about the proposed acquisition of Vocus by Voyage. You should review all of the information in this Scheme Booklet carefully. Section 1.1 sets out the reasons why you should vote in favour of the Scheme and section 1.2 sets out the reasons why you may wish to vote against the Scheme.

Defined terms

A number of defined terms are used in this Scheme Booklet. These terms are explained in section 9 of this Scheme Booklet.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position or particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Vocus Shareholders, or a solicitation of an offer from Vocus Shareholders, in any jurisdiction.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside of Australia.

Regulatory information

This Scheme Booklet is the explanatory statement for the scheme of arrangement between Vocus and the Scheme Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet in Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Vocus Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Notice of Scheme Meeting

The Notice of Meeting is set out in Annexure D.

Vocus Shareholder's right to appear at the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Vocus Shareholder may appear at the Second Court Hearing, expected to be held at 9.00am (Sydney time) on Thursday 24 June 2021 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney.

Any Vocus Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Vocus a notice of appearance in the prescribed form together with any affidavit that the Vocus Shareholder proposes to rely on.

It is possible that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted by remote access technology, including via a dedicated video conferencing service or telephone conferencing. A Vocus Shareholder seeking to attend the Second Court Hearing should review the Court list (available at <https://onlineregistry.lawlink.nsw.gov.au/content/>) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3:30pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on ASX (www.asx.com.au) and will also be notified on the Vocus Website.

IMPORTANT NOTICE ASSOCIATED WITH THE COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

The fact that under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has directed that an explanatory statement accompany the Notice of Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how members should vote (members must reach their own decision on this matter); or
- has prepared, or is responsible for, the content of the explanatory statement.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Disclaimer as to forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views, and are held, only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Vocus or Voyage's objectives, plans, goals or expectations are or may be forward-looking statements.

Any statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Vocus operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

All forward-looking statements (including in relation to the operations and financial performance of Vocus) involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by those forward-looking statements or historical results, performance or achievements.

Those risks and uncertainties include the risks set out in section 6, factors and risks specific to the industry in which Vocus operates as well as general economic conditions and conditions in the financial markets. As a result, the actual results of operations and earnings of Vocus following implementation of the Scheme, as well as the actual advantages of the Scheme, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved.

Although Vocus and Voyage believe that the views reflected in any forward-looking statements they respectively make in the Vocus Information or the Voyage Information (as applicable) have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of the Vocus Group, Voyage Group, Vocus Group's officers, Voyage Group's officers, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, the Vocus Group and Voyage Group do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Responsibility statement

Vocus has been solely responsible for preparing the Vocus Information. The Vocus Information concerning Vocus and the intentions, views and opinions of Vocus and the Vocus Directors contained in this Scheme Booklet have been prepared by Vocus and the Vocus Directors and is the responsibility of Vocus. Voyage and its directors and officers do not assume any responsibility for the accuracy or completeness of any Vocus Information or the Independent Expert's Report (or any information contained therein).

Voyage has been solely responsible for preparing the Voyage Information. The Voyage Information concerning Voyage and the Consortium Members and the intentions, views and opinions of any Voyage Group member contained in this Scheme Booklet have been prepared by Voyage and is the responsibility of Voyage. The Vocus Group and its directors and officers do not assume any responsibility for the accuracy or completeness of any Voyage Information.

Deloitte has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is set out in Annexure A.

Computershare has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Vocus Share Registry. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Privacy

Vocus and its agents and representatives may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Vocus Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Vocus to conduct the Scheme Meeting and to implement the Scheme. Personal information of the type described above may be disclosed to the Vocus Share Registry, print and mail service providers, authorised securities brokers, any member of Voyage, Vocus and its Related Bodies Corporate, and Vocus and Voyage's advisers and service providers. Vocus Shareholders have certain rights to access personal information that has been collected. Vocus Shareholders should contact the Vocus Share Registry in the first instance, if they wish to access their personal information. Vocus Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates are indicative only and are subject to the Court approval process and the satisfaction or, where capable, waiver of the Conditions Precedent to the implementation of the Scheme. The Conditions Precedent are summarised in section 8.12 and set out in full in clause 3.1 of the Scheme Implementation Deed.

Currency and exchange

Unless otherwise stated, all dollar amounts in this Scheme Booklet are in Australian Dollars and all share prices and trading volumes refer to Vocus Shares trading on the ASX.

Date of this Scheme Booklet

This Scheme Booklet is dated Tuesday 18 May 2021.

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Key Dates

EVENT	DATE
Date of this Scheme Booklet	Tuesday 18 May 2021
First Court Date	Tuesday 18 May 2021
Scheme Meeting Proxy Forms Last date and time for receipt of Proxy Forms (including proxies lodged online), powers of attorney or certificates of appointment of body corporate representatives for the Scheme Meeting	10.00am (Sydney time) on Sunday 20 June 2021
Scheme Meeting Record Date Time and date for determining eligibility to vote at the Scheme Meeting	10.00am (Sydney time) on Sunday 20 June 2021
Scheme Meeting As a result of the potential health risks associated with large gatherings and the ongoing COVID-19 pandemic, the Scheme Meeting will be virtual (online only). There will not be a physical meeting where Vocus Shareholders or their proxies, attorneys or corporate representatives can attend in person. Further details relating to the Scheme Meeting are set out in section 2 of this Scheme Booklet and in the Notice of Meeting in Annexure D	10.00am (Sydney time) on Tuesday 22 June 2021
IF THE SCHEME IS APPROVED BY ELIGIBLE VOCUS SHAREHOLDERS AT THE SCHEME MEETING	
Second Court Date For approval of the Scheme	Thursday 24 June 2021
Effective Date The date on which the Scheme becomes Effective and is binding on Vocus Shareholders The Court order will be lodged with ASIC and announced on the ASX Last day of trading in Vocus Shares – Vocus suspended from trading on the ASX from close of trading	Friday 25 June 2021
IF THE SCHEME IS APPROVED BY THE COURT AND BECOMES EFFECTIVE	
Scheme Record Date All Vocus Shareholders who hold Vocus Shares on the Scheme Record Date will be entitled to receive the Scheme Consideration	7.00pm (Sydney time) on Friday 2 July 2021
Implementation Date All Scheme Shareholders will be paid the Scheme Consideration to which they are entitled on this date and transfer of Scheme Shares to Voyage	Thursday 22 July 2021

All dates are indicative only and, among other things, are subject to the Court approval process and satisfaction or, where applicable, waiver of the Conditions Precedent. Any changes to the above timetable (which may include an earlier or later date for the Scheme Meeting or Second Court Hearing) will be announced through the ASX and notified on Vocus' Website.

All references to time in this Scheme Booklet are references to Sydney, Australia time, unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

Vocus Shareholders who have elected to receive communications electronically will receive an email that contains instructions about how to download a copy of the Scheme Booklet, and to lodge their proxy online. The Scheme Booklet will also be available for viewing and downloading on Vocus' Website and via www.investorvote.com.au using control number 135082.

Letter from the Chairman of Vocus

18 May 2021

Dear Shareholder,

On 9 March 2021, Vocus announced that it had entered into a Scheme Implementation Deed under which Voyage Australia Pty Limited (**Voyage**), a company indirectly owned 50% by MIRA Acquisition Co1 (an investment vehicle of Macquarie Infrastructure and Real Assets and its managed funds) and 50% by Aware Super Pty Ltd as trustee of Aware Super (**Aware Super**), has agreed to acquire all of the shares in Vocus, via a scheme of arrangement (the **Scheme**), for a cash consideration of \$5.50 per share (the **Scheme Consideration**).

In order for the Scheme to proceed, it must be approved at a meeting of Vocus Shareholders (the **Scheme Meeting**), and then by the Court. The Scheme is also subject to FIRB, New Zealand OIO and Singapore Infocomm approvals being obtained, and to certain other conditions described in section 8.12.

The purpose of the Scheme Booklet is to provide you with information about the Scheme to assist you in voting on the Scheme at the Scheme Meeting.

Vocus Board recommendation

The Vocus Board unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Vocus Director intends to vote all of the Vocus Shares that he or she holds or controls in favour of the Scheme, subject to that same qualification.

The key reasons for the Vocus Directors' recommendation are as follows:

- The Scheme Consideration of \$5.50 per share represents a significant premium to Vocus' recent historical trading prices. It represents:
 - a 25.6% premium to the closing price on 5 February 2021, being the last trading date prior to the announcement of the non-binding indicative proposal from Macquarie Infrastructure and Real Assets and its managed funds on 8 February 2021, of \$4.38 per share;
 - a 31.8% premium to the 1-month volume weighted average price (**VWAP**) to 5 February 2021 of \$4.17; and
 - a 33.5% premium to the 3-month VWAP to 5 February 2021 of \$4.12 per share.

- The Scheme Consideration of \$5.50 per share equates to an attractive acquisition multiple, which compares favourably to comparable precedent transactions.²

- The proposal from Voyage is a 100% cash proposal, which provides Vocus Shareholders with the opportunity to realise certain cash value for their Vocus Shares now, which may not be achieved if the Scheme does not proceed. While Vocus has completed a significant turnaround of its business in the past three years, and is currently in a strong position to capitalise on a range of historical and current growth initiatives, it is important for shareholders to recognise that these growth opportunities have risks associated with them, particularly execution risk. These execution risks include the following:

- (a) the need to obtain funding to capitalise on growth opportunities;
- (b) the potential risk to some aspects of Vocus' business which operate in more competitive segments of the telecommunications and information technology industries (including the risks of increased competition from incumbents and new entrants);
- (c) Vocus' ability to keep pace with changes in technology; and
- (d) the ongoing effects on Vocus' Retail business of NBN Co's wholesale pricing model.

These risks and uncertainties are discussed in further detail in sections 1.1(c) and 6.3 of the Scheme Booklet.

- The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Vocus' Shareholders, in the absence of a Superior Proposal.
- Since the announcement of the Scheme, no Superior Proposal has emerged.
- Vocus' share price may fall, perhaps materially, if the Scheme is not implemented and in the absence of a Superior Proposal.
- You will not incur any brokerage charges on the transfer of your Vocus Shares if the Scheme proceeds.

In forming their view that the Scheme is in the best interests of Vocus Shareholders, the Vocus Board considered the potential disadvantages of the Scheme proceeding. In particular:

1. MIRA Acquisition Co means Voyage MAIF3 Consortium Pty Limited (ACN 648 281 047) as trustee of Voyage MAIF3 Consortium Trust.

2. See section 1.1(b) of the Scheme Booklet.

- You will not be able to participate in any improvement in the performance of the Vocus business, which may occur in the future.
- The tax consequences of the Scheme for you may not suit your financial position.
- You may consider that there is potential for a Superior Proposal to be made in the near future.

Further details on the recommendation given by the Vocus Board are contained in section 1 of the Scheme Booklet.

Interests of Executive Directors in outcome of the Scheme

You should note when considering this recommendation that two of the Vocus Directors (being the Group Managing Director and Chief Executive Officer, Kevin Russell, and the Executive Director and Chief Executive, New Zealand and Wholesale, Mark Callander) have previously been issued Options under the Vocus Long Term Incentive Plan. Under the terms of Option Cancellation Deeds entered into by each of them with Vocus, those directors will be receiving a benefit if the Scheme proceeds, in the sense that they will receive payments in return for the cancellation of their Options (equal to the intrinsic value of the Options, calculated on the basis that a Vocus Share is valued at the Scheme Consideration of \$5.50 per share), even though the vesting conditions for those Options will not have been fully satisfied at the relevant time. The maximum amounts payable under the relevant Option Cancellation Deeds if the Scheme proceeds, and if the continuity of service conditions in the deeds are satisfied, are \$23,400,000 to Mr Russell and \$8,424,000 to Mr Callander. These arrangements and the amounts payable on implementation of the Scheme in respect of their Options are described in more detail in sections 8.2 and 8.3(e)(i) of the Scheme Booklet.

Despite this interest in the outcome of the Scheme, each of Kevin Russell and Mark Callander considers that, given the importance of the Scheme, and their role as directors of Vocus, it is important and appropriate for them to provide a recommendation to Vocus Shareholders in relation to voting on the Scheme. The Vocus Board (excluding Kevin Russell and Mark Callander) also consider that it is appropriate for them to make a recommendation on the Scheme given their role in the operation and management of Vocus and their deep industry knowledge.

Independent Expert

The Vocus Board appointed Deloitte as the Independent Expert to assess the merits of the Scheme.

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Vocus Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the full underlying value of Vocus Shares at between \$4.98 and \$5.60 per Vocus Share. The Scheme Consideration under the Scheme of \$5.50 per Vocus Share is within this range.

A complete copy of the Independent Expert's Report is included as Annexure A to the Scheme Booklet.

How to vote

Your vote is important and I encourage you to vote on this significant proposed transaction by attending the online Scheme Meeting scheduled to be held at 10.00am (Sydney time) on Tuesday 22 June 2021 or alternatively, by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to attend and vote on your behalf. If you do not wish to, or are unable to, attend the online Scheme Meeting, I encourage you to vote by way of proxy by completing and returning the Proxy Form that accompanies the Scheme Booklet and returning the form to Vocus or Computershare by 10.00am (Sydney time) on Sunday 20 June 2021. Even if you plan to attend the Scheme Meeting online, you are still encouraged to submit a directed proxy in advance of the Scheme Meeting so that your vote can still be counted if you encounter any issues in attending the Scheme Meeting (for example, if there is an issue with your internet connection on the day of the Scheme Meeting).

The Scheme will only be effective and implemented if it is approved by:

- more than 50% of eligible Vocus Shareholders present and voting at the Scheme Meeting (unless the Court orders otherwise); and
- at least 75% of the total number of votes cast on the Scheme Resolution by eligible Vocus Shareholders.

If you wish the Scheme to proceed, it is important that you vote in favour of the Scheme.

Further information

The Scheme Booklet sets out important information regarding the Scheme, including the reasons for the Vocus Board's recommendation and the Independent Expert's Report. It also sets out reasons why you may wish to vote against the Scheme.

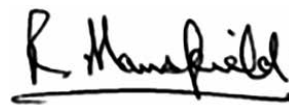
Please read this document carefully and in its entirety as it will assist you in making an informed decision on how to vote. I would also encourage you to seek independent financial, legal and taxation advice before making any investment decision in relation to your shares.

If you require any further information, please call the Shareholder Information Line on 1300 219 444 (within Australia) or +61 3 9415 4326 (outside Australia).

On behalf of the Vocus Board, I would like to take this opportunity to thank you for your ongoing support.

I look forward to your participation in the Scheme Meeting and encourage you vote in favour of the Scheme, which the Vocus Directors believe, and the Independent Expert has concluded, is in the best interests of Vocus Shareholders.

Yours sincerely,



Robert Mansfield, AO
Chairman
Vocus Group Limited

1

**Key
considerations
relevant to
your vote**

1 Key considerations relevant to your vote

The Scheme has a number of advantages and disadvantages which may affect Vocus Shareholders in different ways depending on their individual circumstances. Vocus Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 1.1 provides a summary of some of the reasons why the Vocus Board unanimously recommends eligible Vocus Shareholders vote in favour of the Scheme.³ This section should be read in conjunction with section 1.2, which sets out other reasons why you may wish to vote against the Scheme.

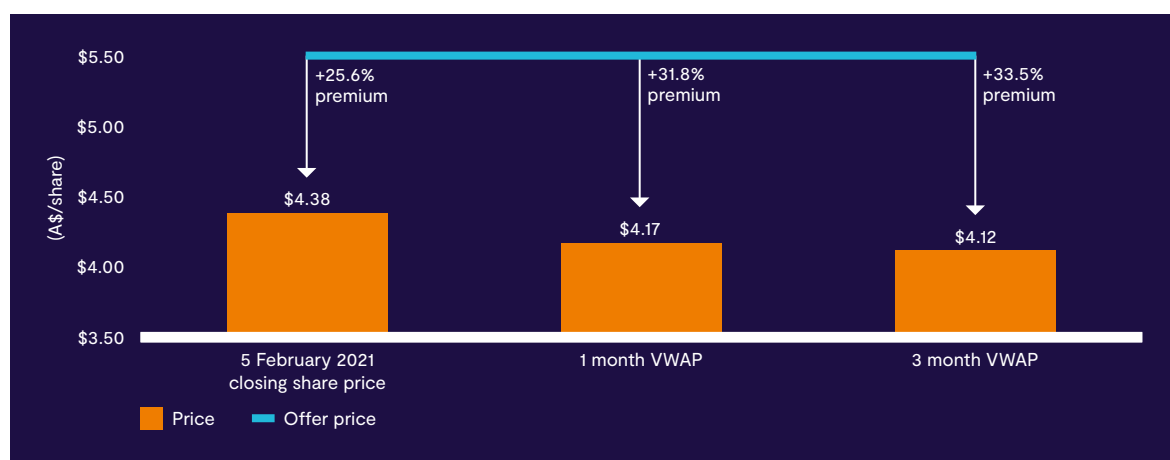
You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting.

While the Vocus Board acknowledges the reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages.

1.1 Why you should vote in favour of the Scheme

The Vocus Board has formed the view that the Scheme is in the best interests of Vocus Shareholders for the following reasons:

- (a) The Scheme Consideration of \$5.50 per share represents a significant premium to Vocus' recent historical trading price prior to 5 February 2021, being the last trading date before the announcement of MIRA's non-binding indicative proposal on 8 February 2021, including:
 - (i) 25.6% premium to the closing price on 5 February 2021 of \$4.38;
 - (ii) 31.8% premium to the 1-month VWAP to 5 February 2021 of \$4.17; and
 - (iii) 33.5% premium to the 3-month VWAP to 5 February 2021 of \$4.12.



3. You should note when considering this recommendation that two of the Vocus Directors (being the Group Managing Director and Chief Executive Officer, Kevin Russell, and the Executive Director and Chief Executive, New Zealand and Wholesale, Mark Callander) have previously been issued Options under the Vocus Long Term Incentive Plan. Under the terms of Option Cancellation Deeds entered into by each of them with Vocus, those directors will be receiving a benefit if the Scheme proceeds, in the sense that they will receive payments in return for the cancellation of their Options (equal to the intrinsic value of the Options, calculated on the basis that a Vocus Share is valued at the Scheme Consideration of \$5.50 per share), even though the vesting conditions for those Options will not have been fully satisfied at the relevant time. These arrangements and the amounts payable on implementation of the Scheme in respect of their Options are described in more detail in sections 8.2 and 8.3(e)(i).

Despite this interest in the outcome of the Scheme, each of Kevin Russell and Mark Callander considers that, given the importance of the Scheme, and their role as directors of Vocus, it is important and appropriate for them to provide a recommendation to shareholders in relation to voting on the Scheme. The Vocus Board (excluding Kevin Russell and Mark Callander) also considers that it is appropriate for them to make a recommendation on the Scheme given their role in the operation and management of Vocus and their deep industry knowledge.

1 Key considerations relevant to your vote

- (b) The Scheme Consideration of \$5.50 per share implies an enterprise value of \$4,599 million on a fully diluted basis,^{4,5} implying an EV/EBITDA multiple of 12.0x for the 12 months ending 31 December 2020.⁶ This represents an attractive acquisition multiple, which compares favourably to the multiples of comparable precedent transactions, as set out on section 6.2.2 of the Independent Expert's Report contained in Annexure A.

Also see section 6.2.2 of the Independent Expert's Report for the Independent Expert's views on this topic.

- (c) The proposal from Voyage is a 100% cash proposal, which provides Vocus Shareholders with the opportunity to realise certain cash value for their Vocus Shares now, which may not be achieved if the Scheme does not proceed. While Vocus has completed a significant turnaround of its business in the past three years, and is currently in a strong position to capitalise on a range of historical and current growth initiatives, it is important for shareholders to recognise that these growth opportunities have risks associated with them, particularly execution risk. For example, Vocus has growth opportunities by continuing to target more complex large enterprises and government accounts, and by growing market share in adjacent product offerings, but these opportunities carry execution risk. The execution risks include the following:
- (i) These growth initiatives will require financing. Vocus may not be successful in obtaining the funding to capitalise on these initiatives. One source of funding for growth initiatives was the proposed initial public offering of the Vocus New Zealand business, however, if such initial public offering was unsuccessful, an alternative source of funding would be required.
 - (ii) The potential risk to some aspects of Vocus' business which operate in more competitive segments of the telecommunications and information technology industries. Vocus may face the risk of loss of market share to existing or new entrants to the various markets in which it operates. A failure by Vocus to effectively compete may adversely affect its sales revenue and financial performance.
 - (iii) Technology, and consumer behaviour and attitudes towards the use of technology, is continually evolving. The ability of Vocus to keep pace with changes in technology may impact Vocus' ability to maintain and grow existing market share and margins into the future.
 - (iv) Vocus purchases access to the final section of the Australian telecommunications network (which reaches Australian retail customers) from NBN Co, being the sole provider in Australia. As such, Vocus' Retail business is exposed to NBN Co's evolving wholesale pricing model. NBN Co's current pricing model, the variable nature of that pricing model and the increasing consumer demand for data has had, and potentially continues to have, a significant impact on profitability of NBN plans for all retail service providers, including Vocus. It is uncertain whether this pricing environment will improve.
 - (v) Vocus has an energy business in Australia and New Zealand and is exposed, to an extent, to sharp movements in the price of both electricity and gas. Vocus seeks to hedge its exposure to adverse fluctuations through the use of over the counter derivatives and contracts via the futures market. Notwithstanding these hedging arrangements, Vocus may still be exposed to movements in the price of both electricity and gas.

If the Scheme is approved and implemented, the Scheme removes these risks and uncertainties for Vocus Shareholders for certain cash value, as these risks and uncertainties will be assumed by Voyage as the sole shareholder of Vocus following implementation of the Scheme.

- (d) The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Vocus Shareholders, in the absence of a Superior Proposal.

The Vocus Board appointed Deloitte as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Vocus Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the full underlying value of Vocus at between \$4.98 and \$5.60 per share. The Scheme Consideration of \$5.50 per share is within this range.

4. Fully diluted share count of 636.5 million, based on 621.2 million ordinary shares outstanding and 0.3 million treasury shares as at 31 December 2020, 27.5 million options disclosed in FY20 Appendix 4E published 19 August 2020, 1.4 million options disclosed in Appendix 3G released 29 July 2020 and 0.2 million performance rights disclosed in Appendix 3G released 21 December 2020. Net dilution of 15.6 million securities calculated using the Treasury Stock Method based on Scheme Consideration of \$5.50 per share.

5. Post-AASB 16 enterprise value based on net debt including \$983.6 million of outstanding bank loans (excluding deduction of upfront borrowing costs), total lease liabilities of \$159.6 million and cash of \$44.6 million as at 31 December 2020.

6. Based on post-AASB 16 Underlying LTM EBITDA of \$384.7 million as at 31 December 2020.

- (e) Since the announcement of MIRA's non-binding indicative proposal to the ASX no Superior Proposal has emerged.

Since the announcement of MIRA's non-binding indicative proposal to the ASX on 8 February 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and, as at the date of this Scheme Booklet, the Vocus Board is not aware of any Superior Proposal that is likely to emerge.

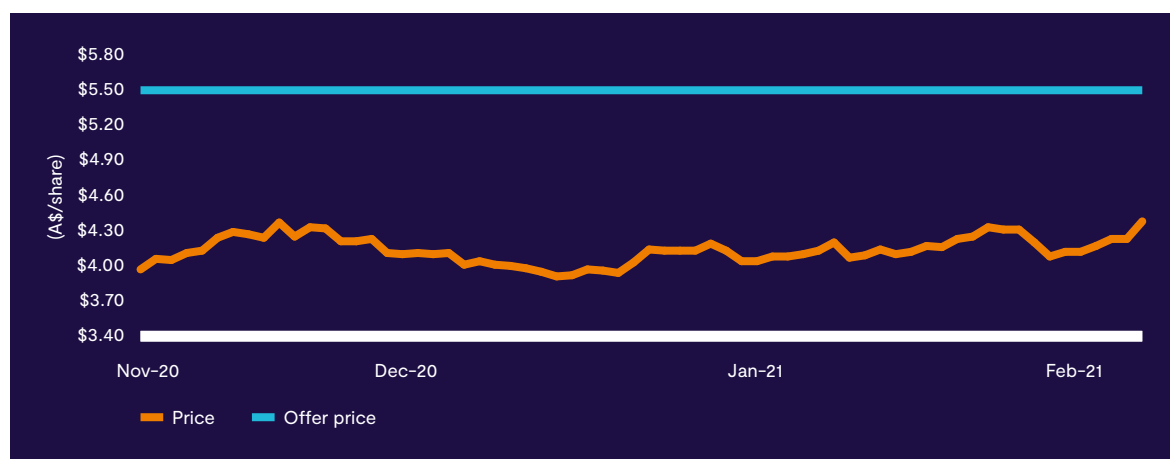
The Scheme Implementation Deed prohibits Vocus from soliciting a Competing Proposal. However, the Vocus Board is permitted to respond to any Competing Proposal should the Vocus Board determine that the Competing Proposal could reasonably be expected to become a Superior Proposal, and that failing to respond would likely constitute a breach of their fiduciary or statutory duties. Further details of the key terms of the Scheme Implementation Deed are provided in section 8.12.

- (f) Vocus' share price may fall, perhaps materially, if the Scheme is not implemented.

If the Scheme is not implemented, Vocus Shares will remain quoted on the ASX and will continue to be subject to market volatility. If the Scheme is not implemented, and in the absence of a Superior Proposal, the price at which Vocus Shares trade may fall, including to a price that is significantly below the Scheme Consideration of \$5.50 per Vocus Share.

The closing share price on 5 February 2021, being the last trading day prior to the announcement of MIRA's non-binding indicative proposal, was \$4.38 per Vocus Share. Refer to section 1.1(a) above for the VWAP of Vocus Shares over the 1 and 3 month periods up to and including 5 February 2021.

The graph below shows the closing Vocus Share Price during the three months ended 5 February 2021.



Source: FactSet.

Note: Market data is for the three month period from 6 November 2020 to 5 February 2021, being the last trading date prior to the announcement of MIRA's non-binding indicative proposal on 8 February 2021.

- (g) You will not incur any brokerage charges on the transfer of your Vocus Shares if the Scheme proceeds.

You will not incur brokerage charges on the transfer of your Vocus Shares to Voyage pursuant to the Scheme. If you sell your Vocus Shares on ASX (rather than disposing of them via the Scheme), you may incur brokerage charges (and, potentially, GST on those charges).

1.2 Why you may wish to vote against the Scheme

Although the Scheme is unanimously recommended by the Vocus Board and the Independent Expert has concluded that the Scheme is in the best interests of Vocus Shareholders in the absence of a Superior Proposal, factors which may lead you to consider voting against the Scheme include the following:

- (a) You may disagree with the Vocus Board's unanimous recommendation and the Independent Expert's conclusion.

Despite the view of the Vocus Board and the Independent Expert, you may believe that the Scheme is not in the best interests of Vocus Shareholders and not in your individual interest.

- (b) You will not be able to participate in any improvement in the performance of the Vocus business, which may occur in the future.

If the Scheme is approved and implemented, you will cease to be a Vocus Shareholder. As such, you will no longer be able to participate in any improvement in the performance of the Vocus business, which may occur in the future, or the future prospects of the ongoing Vocus business, including any benefits that may result from being a Vocus Shareholder. However, there is no guarantee as to Vocus' future performance, as with all investments in listed equities.

1 Key considerations relevant to your vote

- (c) You may wish to maintain your investment profile.

You may wish to maintain your current investment in Vocus in order to have an investment in a publicly listed company with the specific characteristics of Vocus in terms of industry and profile.

Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. Vocus Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of Vocus and they may incur transaction costs in undertaking any new investment.

- (d) The tax consequences of the Scheme for you may not suit your financial position.

Implementation of the Scheme may trigger taxation consequences for Vocus Shareholders, such as the realisation of a capital gain or capital loss. A general guide to the taxation implications of the Scheme is set out in section 7. This guide is expressed in general terms only and Vocus Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

- (e) You may consider that there is potential for a Superior Proposal to be made in the foreseeable future.

It is possible that, if Vocus were to continue as an independent listed entity, a change of control proposal could materialise in the future, such as a takeover bid with a higher price. Implementation of the Scheme will mean that Vocus Shareholders will not receive the benefit of any such proposal.

However, since the announcement of MIRA's non-binding indicative proposal to the ASX on 8 February 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and, as at the date of this Scheme Booklet, the Vocus Board is not aware of any Superior Proposal that is likely to emerge.

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Frequently
asked
questions

2 Frequently asked questions

QUESTION	ANSWER	MORE INFORMATION
An Overview of the Scheme		
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been prepared for you because you are a Vocus Shareholder and eligible Vocus Shareholders are being asked to vote on the Scheme, which, if approved, will result in Voyage acquiring all of the Scheme Shares.</p> <p>This Scheme Booklet is intended to help you decide how to vote on the Scheme Resolution which needs to be passed at the Scheme Meeting to allow the Scheme to proceed.</p>	N/A
What is the Scheme?	<p>The Scheme is a scheme of arrangement, which is a statutory procedure that is commonly used to enable one company to acquire another company.</p> <p>The Scheme is between Vocus and the Scheme Shareholders and will effect the acquisition of Vocus by Voyage.</p>	Section 3.
What will I receive if the Scheme is implemented?	<p>If the Scheme becomes Effective, Vocus Shareholders will receive the Scheme Consideration, being \$5.50 per Vocus Share held on the Scheme Record Date, paid by Voyage on implementation of the Scheme, in return for the transfer of their Vocus Shares to Voyage under the Scheme.</p> <p>Refer to the question 'Can I sell my Vocus Shares now?' for more information.</p>	Section 3.

QUESTION	ANSWER	MORE INFORMATION
An Overview of the Scheme		
What do the Vocus Directors recommend and how do they intend to vote?	<p>Vocus Directors unanimously recommend that, in the absence of a Superior Proposal, Vocus Shareholders vote in favour of the Scheme at the Scheme Meeting.⁷</p> <p>Each Vocus Director who holds or controls Vocus Shares intends to vote (or procure the voting of) all Vocus Shares held or controlled by them in favour of the Scheme subject to the same qualifications.</p> <p>The reasons for the Vocus Directors' recommendation and other matters that you may wish to consider are outlined in the Chairman's Letter and section 1.</p>	<p>Section 1.1 provides a summary of the reasons why the Vocus Directors consider that eligible Vocus Shareholders should vote in favour of the Scheme.</p> <p>Section 1.2 provides a summary of some of the reasons why eligible Vocus Shareholders may wish to vote against the Scheme.</p> <p>Section 8 sets out further information regarding the interests of the Vocus Directors and benefits they will derive if the Scheme is implemented.</p>
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Vocus Shareholders, in the absence of a Superior Proposal.	A copy of the Independent Expert's Report is contained in Annexure A.
Who is Voyage?	Voyage is an Australian company which is owned (indirectly through a number of wholly owned subsidiaries) 50% by MIRA Acquisition Co and 50% by Aware Super. The ownership structure of Voyage, as at the date of this Scheme Booklet, is illustrated by the diagram in section 5.2(a).	Section 5 provides further information regarding Voyage, its funding arrangements and intentions for the Vocus business if the Scheme is implemented.
Who is the Consortium?	The Consortium comprises MIRA Acquisition Co (an investment vehicle of Macquarie Infrastructure and Real Assets and its managed funds) and Aware Super on a 50/50 basis.	Section 5.2 sets out further information regarding the Consortium.

7. You should note when considering this recommendation that two of the Vocus Directors (being the Group Managing Director and Chief Executive Officer, Kevin Russell, and the Executive Director and Chief Executive, New Zealand and Wholesale, Mark Callander) have previously been issued Options under the Vocus Long Term Incentive Plan. Under the terms of Option Cancellation Deeds entered into by each of them with Vocus, those directors will be receiving a benefit if the Scheme proceeds, in the sense that they will receive payments in return for the cancellation of their Options (equal to the intrinsic value of the Options, calculated on the basis that a Vocus Share is valued at the Scheme Consideration of \$5.50 per share), even though the vesting conditions for those Options will not have been fully satisfied at the relevant time. These arrangements and the amounts payable on implementation of the Scheme in respect of their Options are described in more detail in sections 8.2 and 8.3(e)(i).

Despite this interest in the outcome of the Scheme, each of Kevin Russell and Mark Callander considers that, given the importance of the Scheme, and their role as directors of Vocus, it is important and appropriate for them to provide a recommendation to shareholders in relation to voting on the Scheme. The Vocus Board (excluding Kevin Russell and Mark Callander) also considers that it is appropriate for them to make a recommendation on the Scheme given their role in the operation and management of Vocus and their deep industry knowledge.

2 Frequently asked questions

QUESTION	ANSWER	MORE INFORMATION
An Overview of the Scheme		
Does Voyage currently hold any Vocus Shares?	<p>No. Voyage itself is not the registered holder of, nor does it have the power to control voting rights attached to, or the power to dispose of, any Vocus Shares.</p> <p>MIRA Acquisition Co has a deemed Relevant Interest (as defined in the Corporations Act) in 2.79% of Vocus' issued shares. Aware Super has a deemed Relevant Interest in 3.53% of Vocus' issued shares. These Relevant Interests, and how they arise, are discussed further in section 5.5.</p>	Section 5.5(a) sets out further information regarding Voyage's holdings and Voting Power in Vocus Shares.
What choices do I have as a Vocus Shareholder?	<p>As a Vocus Shareholder, you have the following choices in relation to the Scheme:</p> <ul style="list-style-type: none"> • vote in favour of the Scheme Resolution at the Scheme Meeting; • vote against the Scheme Resolution at the Scheme Meeting; • sell your Vocus Shares on the ASX; or • do nothing. 	For key considerations that may be relevant to your vote, see section 1.
Why should I vote in favour of the Scheme?	The reasons to vote in favour of the Scheme are set out in section 1.1.	Section 1.1.
Why may I consider voting against the Scheme?	The reasons why you may wish to vote against the Scheme are set out in section 1.2.	Section 1.2.
Can I sell my Vocus Shares now?	<p>You can sell your Vocus Shares on market at any time before close of trading on the ASX on the Effective Date (which is currently expected to be Friday 25 June 2021) at the then prevailing market price (which may vary from the Scheme Consideration).</p> <p>Vocus intends to apply to the ASX for Vocus Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. You will not be able to sell your Vocus Shares on market after this time.</p> <p>If you sell your Vocus Shares prior to the Effective Date, you will not receive the Scheme Consideration.</p>	N/A

QUESTION	ANSWER	MORE INFORMATION
Voting at the Scheme Meeting		
What vote is required to approve the Scheme?	For the Scheme to proceed, the Scheme Resolution must be passed by the Requisite Majorities at the Scheme Meeting.	Section 3.3(a) and the Notice of Meeting contained in Annexure D set out further details regarding the Requisite Majorities and your entitlement to vote.
Am I entitled to vote?	Each Vocus Shareholder who is registered on the Vocus Share Register on the Scheme Meeting Record Date (currently expected to be 10.00am (Sydney time) on Sunday 20 June 2021) is entitled to vote at the Scheme Meeting.	The Notice of Meeting contained in Annexure D sets out further details on your entitlement to vote.
How do I vote?	<p>You can vote:</p> <ul style="list-style-type: none"> in person by attending the online Scheme Meeting; or by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative, to attend the online Scheme Meeting and vote on your behalf. <p>You can appoint a proxy by completing the Proxy Form attached to the Notice of Meeting in Annexure D and returning the form to Vocus or Computershare by 10.00am (Sydney time) on Sunday 20 June 2021.</p>	The Notice of Meeting contained in Annexure D sets out further details on your entitlement to vote and how to submit a Proxy Form.
When and where will the Scheme Meeting be held?	<p>The Scheme Meeting will be held as a virtual (online only) meeting on Tuesday 22 June 2021, commencing at 10.00am (Sydney time).</p> <p>You (or your proxy, attorney or, if you are a body corporate, your duly appointed corporate representative) may virtually attend the Scheme Meeting by using a web browser at https://web.lumiagm.com/ on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.</p> <p>The meeting ID for the Scheme Meeting is: 380-763-474.</p> <p>Your username is your SRN/HIN.</p> <p>Your password is the postcode of your registered address for your holding if you are an Australian shareholder. If you are an overseas shareholder, your password is your three-character country code.</p> <p>Please refer to the online meeting user guide at www.computershare.com.au/virtualmeetingguide for further details.</p> <p>The online platform enables participants to view the Scheme Meeting live, ask questions online and vote on the Scheme Resolution in real time.</p>	The Notice of Meeting contained in Annexure D sets out further details on your entitlement to vote.
When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be available shortly after the conclusion of the meeting and will be announced to the ASX once available. Even if the Scheme Resolution is passed at the Scheme Meeting, the Scheme is subject to approval by the Court.	N/A

2 Frequently asked questions

QUESTION	ANSWER	MORE INFORMATION
Voting at the Scheme Meeting		
What happens to my Vocus Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective?	If you do not vote, vote against the Scheme or vote in favour of the Scheme, and the Scheme becomes Effective, the outcome for your Vocus Shares will be the same – any Vocus Shares held by you on the Scheme Record Date will be transferred to Voyage and you will receive the Scheme Consideration, notwithstanding that you may not have voted or voted against the Scheme.	N/A
Can I oppose the Scheme at the Second Court Hearing?	As a Vocus Shareholder, you have a right to appear and make submissions at the Second Court Hearing which is scheduled to be held at 9.00am on Thursday 24 June 2021 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney.	N/A
Do I have to give any warranties in relation to my Scheme Shares?	Yes. Each Scheme Shareholder will be deemed to have warranted to Voyage that all of their Scheme Shares will, at the date of transfer under the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind; and that they have full power and capacity to sell and transfer their Scheme Shares (together with all rights and entitlements attaching to such shares) to Voyage.	Section 8.11.
What will Vocus Shareholders receive under the Scheme		
What will I receive if the Scheme becomes Effective?	As noted above, if the Scheme becomes Effective, Vocus Shareholders will receive the Scheme Consideration, being \$5.50 per Vocus Share held on the Scheme Record Date, paid by Voyage, in return for the transfer of their Vocus Shares to Voyage under the Scheme.	Section 3.2.
When will I be paid?	Payments of the Scheme Consideration will occur in accordance with the Scheme on the Implementation Date. The Implementation Date is expected to occur on Thursday 22 July 2021.	Section 3.2(b).
How will I be paid?	All payments will be made by: <ul style="list-style-type: none"> • electronic funds transfer on the Implementation Date into your nominated bank account as advised to the Vocus Share Registry as at the Scheme Record Date; or • if you have not nominated a bank account, sending an Australian dollar cheque on the Implementation Date, by pre-paid post to your registered address as shown on the Vocus Share Register. 	Section 3.2(b).
Will I have to pay brokerage?	No brokerage will be payable in any Australian jurisdiction by Vocus Shareholders in respect of the disposal of their Vocus Shares.	Section 1.1(g).

QUESTION	ANSWER	MORE INFORMATION
Implementation of the Scheme		
What will happen to Vocus if the Scheme becomes Effective and is implemented?	If the Scheme is implemented, Voyage will acquire all of the Vocus Shares and Vocus will be delisted from the official list of the ASX after implementation of the Scheme.	Section 5 sets out further details on Voyage and Voyage's intentions as to Vocus into the future.
Are there any conditions to be satisfied?	<p>There are certain conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become Effective.</p> <p>In summary, as at the date of this Scheme Booklet, the outstanding conditions include:</p> <ul style="list-style-type: none"> • FIRB approval; • OIO approval; • approval from eligible Vocus Shareholders at the Scheme Meeting; • Court approval; • no legal or regulatory restraints on, or Orders preventing, the implementation of the Scheme; • no Vocus Material Adverse Change occurring between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date; • no Vocus Prescribed Occurrence occurring between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date; • Singapore Infocomm confirmation or approval; and • receipt of counterparty consents, approvals, waivers or confirmations as required under each Specified Contract in respect of the Transaction. <p>As at the date of this Scheme Booklet, the Vocus Directors are not aware of any reason why these conditions should not be satisfied or waived (where capable of waiver).</p>	Section 8.12(a).
What happens if the Scheme does not proceed?	<p>If the Scheme is not approved at the Scheme Meeting, or another condition to the Scheme is not satisfied or waived (where capable of waiver), the Scheme will not be implemented.</p> <p>If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration but will retain their Vocus Shares. In these circumstances, Vocus will, in the absence of another proposal, continue to operate as a stand-alone company listed on the ASX and you will continue to hold your Vocus Shares and continue to be exposed to risks and opportunities associated with your investment in Vocus.</p>	N/A
Is there a break fee payable?	<p>Vocus has agreed to pay Voyage a break fee of \$35,000,000 in certain circumstances.</p> <p>However, no break fee is payable merely for the reason that eligible Vocus Shareholders do not approve the Scheme at the Scheme Meeting.</p>	Section 8.12(e).

2 Frequently asked questions

QUESTION	ANSWER	MORE INFORMATION
Implementation of the Scheme		
What are the taxation implications of the Scheme?	<p>The tax consequences of the Scheme will depend on your personal situation.</p> <p>A general outline of the main Australian taxation implications of the Scheme for certain Vocus Shareholders is set out in section 7 of this Scheme Booklet.</p> <p>As this outline is general in nature, you should consult with your own taxation advisers for detailed tax advice regarding the Australian and, if applicable, foreign taxation implications for participating in the Scheme in light of the particular circumstances which apply to you before making a decision as to how to vote on the Scheme.</p>	Section 7.
Further information		
Where can I get further information?	For further information, you can call the Shareholder Information Line on 1300 219 444 (within Australia) or +61 3 9415 4326 (outside Australia).	N/A

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3

Overview of the Scheme

3 Overview of the Scheme

3.1 Scheme

On 9 March 2021, Vocus announced that it had entered into the Scheme Implementation Deed with Voyage, under which Voyage has agreed to acquire all of the Vocus Shares on issue by way of the Scheme.

For the Scheme to proceed, eligible Vocus Shareholders must vote in favour of the Scheme by the Requisite Majorities set out in section 3.3(a), and the Scheme must be approved by the Court. The Scheme is also subject to the satisfaction or waiver (where capable of waiver) of the other Conditions Precedent described in section 8.12(a).

If the Scheme is approved by eligible Vocus Shareholders and by the Court, and all other Conditions Precedent are satisfied or waived (where capable of waiver), then Vocus will become a wholly-owned subsidiary of Voyage and it is intended to be removed from the official list of the ASX on or around the Business Day immediately following the Implementation Date.

If the Scheme is not approved, Scheme Shareholders will not receive the Scheme Consideration and Vocus Shareholders will retain their Vocus Shares.

In these circumstances, Vocus will, in the absence of another proposal, continue to operate as a stand-alone entity listed on the ASX and Vocus Shareholders will retain their Vocus Shares and continue to be exposed to risks and opportunities associated with their current investment in Vocus.

3.2 Scheme Consideration

(a) Scheme Consideration

If the Scheme becomes Effective, Vocus Shareholders will receive the Scheme Consideration, being \$5.50 per Vocus Share held on the Scheme Record Date, paid by Voyage, in return for the transfer of their Vocus Shares to Voyage under the Scheme.

(b) Payment of Scheme Consideration

If the Scheme becomes Effective, the Scheme Consideration will be paid by Voyage to Scheme Shareholders on the Implementation Date, currently expected to be Thursday 22 July 2021. Payments will be made by:

- electronic funds transfer on the Implementation Date into the Scheme Shareholder's nominated bank account as advised to the Vocus Share Registry as at the Scheme Record Date; or
- if no bank account has been nominated, sending an Australian dollar cheque on the Implementation Date, by pre-paid post to the relevant shareholder's registered address, as shown on the Vocus Share Register.

Vocus Shareholders can update their payment information online by logging in to www.investorcentre.com.

3.3 Key Steps in the Scheme

(a) Overview of Scheme approval requirements

The Scheme will become Effective and be implemented only if it is:

- approved by the Requisite Majorities of eligible Vocus Shareholders at the Scheme Meeting to be held on Tuesday 22 June 2021; and
- approved by the Court at the Second Court Hearing to be held on Thursday 24 June 2021.

Approval by eligible Vocus Shareholders at the Scheme Meeting requires the Scheme Resolution to be approved by the Requisite Majorities, being:

- a majority in number (more than 50%) of eligible Vocus Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, attorney or corporate representative) (unless the Court orders otherwise); and
- at least 75% of the total number of votes cast on the Scheme Resolution by eligible Vocus Shareholders.

The Court has the power to waive the first requirement.

In the event that:

- the Scheme is approved by the Requisite Majorities of eligible Vocus Shareholders at the Scheme Meeting; and
- all other conditions (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then Vocus will apply to the Court for orders approving the Scheme.

Each Vocus Shareholder has the right to appear at the Second Court Hearing.

(b) Scheme Meeting

(i) Date and time of Scheme Meeting

In accordance with an order of the Court dated Tuesday 18 May 2021, Vocus has convened the Scheme Meeting to be virtually held through an online platform on Tuesday 22 June 2021 commencing at 10.00am (Sydney time). There will not be a physical meeting where Vocus Shareholders or their proxies, attorneys or corporate representatives can attend in person.

The notice convening the Scheme Meeting is set out in Annexure D to this Scheme Booklet and the terms of the Scheme are contained in Annexure B to this Scheme Booklet. The purpose of the Scheme Meeting is for eligible Vocus Shareholders to consider whether to approve the Scheme.

The fact that the Court has ordered the Scheme Meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how Vocus Shareholders should vote on the Scheme Resolution. On these matters, Vocus Shareholders must reach their own decision. In any event, the Court must approve the Scheme at the Second Court Hearing before the Scheme can become Effective.

(ii) Scheme Resolution

At the Scheme Meeting, eligible Vocus Shareholders will be asked to consider and, if thought fit, pass the Scheme Resolution to approve the Scheme.

(iii) Entitlement to vote

Each Vocus Shareholder who is registered on the Vocus Share Register on the Scheme Meeting Record Date is entitled and eligible to vote at the Scheme Meeting.

(c) Second Court Hearing

In the event that:

- the Scheme is approved by the Requisite Majorities of eligible Vocus Shareholders at the Scheme Meeting; and
- all other Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then Vocus will apply to the Court for orders approving the Scheme at the Second Court Hearing.

The Court has a broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act. The Second Court Hearing is scheduled to occur on the Second Court Date (currently expected to be 9.00am (Sydney time) on Thursday 24 June 2021). Each Vocus Shareholder has the right to appear at the Second Court Hearing.

(d) Effective Date

If the Court makes orders approving the Scheme and all other conditions have been satisfied or waived (where capable of waiver), then Vocus will lodge a copy of those orders with ASIC under section 411(10) of the Corporations Act. As soon as copies of the Court orders approving the Scheme are lodged with ASIC, the Scheme will become Effective. This is expected to occur on the Effective Date (currently expected to be Friday 25 June 2021).

If the Scheme becomes Effective, then Vocus and Voyage will become bound to implement the Scheme in accordance with the terms of the Scheme and the Deed Poll.

Vocus will, on the Scheme becoming Effective, give notice of that event on the ASX. Vocus intends to apply to the ASX for Vocus Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. It is expected that suspension of trading in Vocus Shares on the ASX will occur from the close of trading on the Effective Date.

3 Overview of the Scheme

(e) Scheme Record Date

Scheme Shareholders will be entitled to receive the Scheme Consideration in respect of the Vocus Shares they hold as at the Scheme Record Date.

(f) Dealings on or prior to the Scheme Record Date

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Vocus Shares will be recognised by Vocus provided that:

- (i) in the case of dealings of the type to be effected using CHES (Clearing House Electronic Subregister System), the transferee is registered in the Vocus Share Register as the holder of the relevant Vocus Shares by the Scheme Record Date; and
- (ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Vocus Share Registry by 5.00pm on the Scheme Record Date at the place where the Vocus Share Register is located (in which case Vocus must register such transfers or transmission before 7.00pm on that day).

For the purposes of establishing the persons who are Scheme Shareholders or for any other purpose (other than to transfer to Voyage pursuant to the Scheme and any subsequent transfers by Voyage and its successors in title), Vocus will not accept for registration or recognise any transfer or transmission application in respect of Vocus Shares received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

(g) Dealings after the Scheme Record Date

For the purposes of determining entitlements to the Scheme Consideration, Vocus must maintain the Vocus Share Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Vocus Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for Scheme Shares will cease to have effect as documents relating to title in respect of such Scheme Shares; and
- each entry on the Vocus Share Register relating to the Scheme Shares will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of such Scheme Shares.

(h) Implementation Date

The Implementation Date is the fourteenth Business Day after the Scheme Record Date. The Implementation Date is currently expected to be Thursday 22 July 2021.

Prior to implementation of the Scheme, and by the Business Day prior to the Implementation Date, Voyage must pay or procure the payment into an Australian dollar denominated trust account held with an Australian bank operated by Vocus (or by the Vocus Share Registry on behalf of Vocus) as trustee for the Scheme Shareholders, the aggregate of the Scheme Consideration payable to Scheme Shareholders.

On the Implementation Date, subject to the deposit of the aggregate Scheme Consideration being made by Voyage:

- Vocus will pay to each Scheme Shareholder their entitlement to the Scheme Consideration for each Vocus Share held by them as at the Scheme Record Date; and
- the Scheme Shares will be transferred to Voyage without Scheme Shareholders needing to take any further action.

(i) Delisting of Vocus

Following the implementation of the Scheme, Vocus will apply for the termination of the official quotation of Vocus Shares on the ASX and for Vocus to be removed from the official list of the ASX.

(j) End Date

The Scheme will lapse and be of no further force or effect (and implementation will not occur) if the Effective Date has not occurred on or before the End Date.

3.4 Conditions Precedent to implementation of the Scheme

The implementation of the Scheme is subject to Conditions Precedent which must be satisfied or waived (where capable of waiver) for the Scheme to proceed. A summary of the Conditions Precedent is included in section 8.12(a) and the Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed, a full copy of which is attached to the Vocus ASX Announcement on 9 March 2021, which can be obtained from www.asx.com.au or from Vocus' Website.

3.5 Timetable

An indicative timetable for the Transaction appears on page 3. All dates and times are indicative only and, among other things, are subject to the Court approval process and satisfaction or, where applicable, waiver of the Conditions Precedent. Any changes to the timetable (which may include an earlier or later date for the Scheme Meeting or Second Court Hearing) will be announced on the ASX and notified on Vocus' Website.

4

Information
about Vocus

4 Information about Vocus

4.1 Overview

Vocus is a specialist fibre and network solutions provider. Vocus owns an extensive national infrastructure network of metro and back haul fibre, connecting capital cities and regional centres across Australia, New Zealand and into Asia. Vocus' fibre network is the second largest fibre network in Australia.

Vocus targets the enterprise, government, wholesale, small business and residential market segments through a portfolio of brands. Vocus offers both consumer and wholesale NBN services within Australia through all 121 NBN points of interconnect, as well as 100% coverage of the Ultra-Fast Broadband network in New Zealand.

In FY20, Vocus had revenue of \$1,778.2 million and an EBITDA of \$361.3 million. In H1FY21, Vocus had revenue of \$897.4 million and an EBITDA of \$188.1 million.

4.2 Overview of operations

(a) Vocus Network Services

Vocus Network Services operates under the Vocus brand and provides telecommunications products and services to the enterprise and wholesale businesses, and all levels of government, in the Australian market. Products and services include Networks and Connectivity, Data centres, Cloud Platforms and Security, and Workplace Collaboration. Within the wholesale segment, Vocus 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.

(b) Retail

Retail focuses on the price sensitive and value seeking segments of the consumer market and the small to medium business segment. It provides telecommunications products and services including broadband, voice and mobile services, as well as energy products. Within the Consumer business, the go to market brands are dodo™ and iPrimus™ with some small legacy brands from prior acquisitions also maintained. Commander™ and Engin™ are the go-to market brand for the small and medium business segment.

(c) New Zealand

New Zealand operates in all key segments of the market, including Enterprise, Government, Wholesale and Consumer. In Enterprise, Government and Wholesale, the division's key brand is Vocus. The key Consumer brands are Slingshot and Orcon. The New Zealand business is run as a separate business to Australia and includes all New Zealand overhead and network related costs.

4.3 People

The Vocus Group employs approximately 1,938 full and part time employees. Approximately 548 full and part time employees are located at Vocus' head office at Level 10, 452 Flinders Street, Melbourne, Victoria. Approximately 258 full and part time employees are located at Vocus' Sydney office at Level 12, 60 Miller Street, North Sydney, New South Wales and approximately 593 employees are based in offices in New Zealand.

4 Information about Vocus

4.4 Board and Key Management Personnel

(a) Vocus Board

As at the date of this Scheme Booklet, the Vocus Board comprises the following Vocus Directors:

NAME	CURRENT POSITION
Robert (Bob) Mansfield	Non-Executive Director and Chairman
David Wiadrowski	Non-Executive Director
John Ho	Non-Executive Director
Julie Fahey	Non-Executive Director
Matthew Hanning	Non-Executive Director
Bruce Akhurst	Non-Executive Director
Kevin Russell	Group Managing Director and Chief Executive Officer
Mark Callander	Executive Director and Chief Executive, New Zealand and Wholesale

(b) Vocus' key management personnel

As at the date of this Scheme Booklet, Vocus' key management personnel are each of the Vocus Directors and the following individuals:

NAME	CURRENT POSITION
Nitesh Naidoo	Group Chief Financial Officer
Ellie Sweeney	Chief Operating Officer
Andrew Wildblood	Chief Executive, Enterprise and Government
Antony De Jong	Chief Executive, Retail

4.5 Capital structure

(a) Capital structure and market capitalisation

As at the date of this Scheme Booklet, Vocus has:

- 621,214,651 Vocus Shares on issue;
- 28,683,667 Options on issue;
- 135,418 Legacy Options on issue; and
- 242,550 Performance Rights on issue.

See section 8.3 for further information on the intended treatment of the Options, Legacy Options and Performance Rights in connection with the Scheme.

As at the Last Practicable Trading Date, Vocus had a market capitalisation of approximately \$3,398 million (based on a closing price of \$5.47 per Vocus Share and 621,214,651 Vocus Shares on issue).

(b) Substantial shareholders

As at the Last Practicable Trading Date, based on substantial shareholder notice filings to the ASX,^{8,13} the substantial holders of Vocus Shares are as follows.

NAME	NUMBER OF VOCUS SHARES ⁹	PERCENTAGE
Janchor Partners Limited ¹⁰	57,490,290	9.25%
UBS Group AG	44,741,902	7.20%
Aware Super ¹¹	39,232,308	6.32%
MIRA Holdings ¹¹	39,232,308	6.32%
Yarra Capital Management Limited ¹²	37,080,315	5.97%
Norges Bank	31,840,619	5.13%
Goldman Sachs Group	31,185,490	5.02%
The Vanguard Group	31,045,125	5.00%

The shareholdings listed in this section 4.5(b) are as disclosed to Vocus by the shareholders in substantial holding notices, other than in respect of Aware Super and MIRA Holdings.¹³ Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on the ASX's website (www.asx.com.au) is not included above.

4.6 Recent Vocus Share Price history

Vocus Shares are listed on the ASX under the trading symbol 'VOC'.

On 8 February 2021, Vocus announced its receipt of MIRA's non-binding indicative proposal. The closing share price on 5 February 2021, being the last trading day prior to the announcement of MIRA's non-binding indicative proposal, was \$4.38 per Vocus Share.

On 9 March 2021, Vocus announced that it had entered into the Scheme Implementation Deed with Voyage, under which Voyage has agreed to acquire all of the Vocus Shares for the Scheme Consideration, by way of the Scheme. The closing price of Vocus Shares on 8 March 2021 (being the last trading day prior to the announcement of Vocus and Voyage's entry into the Scheme Implementation Deed) was \$5.00.

8. These substantial notices can be found on Vocus' website at <https://vocusgroup.com.au/investors/company-performance/asx-announcements/>.

9. This refers to the number of Vocus Shares in which the person or any associate has a Relevant Interest as noted in the substantial shareholder notice.

10. As previously disclosed to the ASX in an Appendix 3Y, John Ho has a Relevant Interest in these 57,490,290 Vocus Shares by virtue of his interest in Janchor Partners. In addition to that approximate 9.25% shareholding, Janchor Partners has cash-settled equity derivative positions in 55,344,309 Vocus Shares representing approximately 8.91% of Vocus Shares on issue. Those cash-settled equity derivatives do not give Janchor Partners any right to vote the reference shares which are the subject of those derivatives.

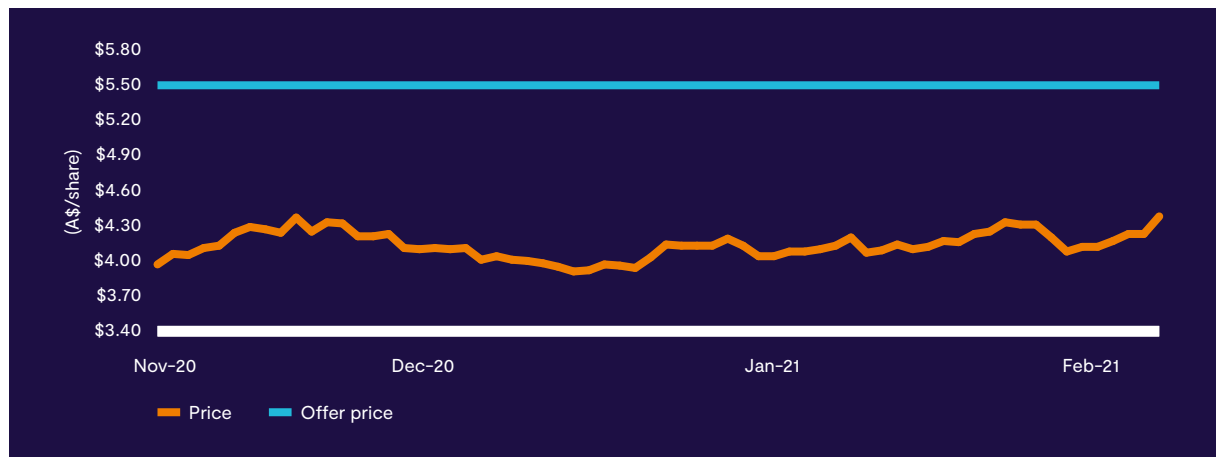
11. Aware Super and MIRA Holdings have Voting Power in respect of the same Vocus Shares. Please see section 5.5(a) for further details in respect of these shareholdings and related voting rights.

12. Based on the ASX Notice of Initial Substantial Holder lodged by Yarra Capital Management Limited on 14 April 2021, which refers to the Relevant Interest of (among others) Yarra Funds Management Ltd.

13. The substantial holding notices lodged with ASX on 24 February 2021 by Aware Super and MIRA Holdings disclosed them as having Voting Power in respect of 40,940,388 Vocus Shares. Since then, their Voting Power has decreased such that, as disclosed in section 5.5(a), as at Thursday, 13 May 2021 they now have Voting Power in 39,232,308 Vocus Shares.

4 Information about Vocus

The graph below shows the closing Vocus Share Price during the three months ended 5 February 2021:



Source: FactSet.

Note: Market data is for the three month period from 6 November 2020 to 5 February 2021, being the last trading date prior to the announcement of MIRA's non-binding indicative proposal on 8 February 2021.

Up to and including 5 February 2021:

- the last recorded Vocus Share Price on 5 February 2021 was \$4.38;
- the 1-month VWAP of the Vocus Shares was \$4.17;
- the 3-month VWAP of the Vocus Shares was \$4.12;
- the lowest and highest Vocus Share Prices during the preceding three months were \$3.91 and \$4.38, respectively.

4.7 Historical financial information

(a) Basis of preparation

This section sets out historical financial information about the Vocus Group for FY19, FY20 and H1FY21. The financial information in this section is a summary only and is prepared for the purpose of this Scheme Booklet. It does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. The information has been extracted from the audited financial reports of Vocus for FY19 and FY20 and the half year reviewed accounts ended 31 December 2020. The financial information has not been subject to further review by an independent accountant.

Further details on Vocus' financial performance and financial statements for FY20 as announced to the ASX on 19 August 2020 and for H1FY21 as announced to the ASX on 24 February 2021 can be found in the Results section of Vocus' Website.

(b) Historical statement of profit or loss and other comprehensive income

Below is a summary of Vocus' consolidated statements of profit or loss or other comprehensive income for the financial years ended 30 June 2019 and 30 June 2020 and the half year ended 31 December 2020.

	HALF YEAR ENDED 31 DEC 2020	YEAR ENDED 30 JUNE 2020	YEAR ENDED 30 JUNE 2019
	\$'000	\$'000	\$'000
Revenue	897,365	1,778,180	1,892,296
Other gains and losses	(182)	(12,964)	(4,553)
Expenses			
Network and service delivery	(507,824)	(996,000)	(1,103,834)
Employee benefits expense	(111,890)	(227,828)	(228,150)
Depreciation and amortisation expense	(131,145)	(268,143)	(243,357)
Administration and other expenses	(89,403)	(180,076)	(206,652)
Impairment	—	(202,078)	—
Net finance costs	(28,282)	(56,285)	(53,052)
Profit/(loss) before income tax expense	28,639	(165,194)	52,698
Income tax expense	(9,497)	(12,972)	(18,689)
Profit/(loss) after income tax expense for the year attributable to the owners of Vocus Group Limited	19,142	(178,166)	34,009
Other comprehensive income			
Foreign currency translation	(1,502)	(7,305)	14,628
Net movement on hedging transactions, net of tax	10,186	(29,541)	4,676
Net movement on revaluation of equity instrument financial assets	—	—	342
Other comprehensive income for the year, net of tax	8,684	(36,846)	19,646
Total comprehensive income for the year attributable to the owners of Vocus Group Limited	27,826	(215,012)	53,655
Basic earnings per share	3.08	(28.74)	5.47
Diluted earnings per share	3.04	(28.74)	5.40

4 Information about Vocus

(c) Historical statement of financial position

Below is a summary of Vocus' consolidated statement of financial position as at 30 June 2019, 30 June 2020 and 31 December 2020.

	HALF YEAR ENDED 31 DEC 2020	YEAR ENDED 30 JUNE 2020	YEAR ENDED 30 JUNE 2019
	\$'000	\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	44,643	59,604	87,199
Trade and other receivables	137,694	153,290	152,620
Prepayments	33,847	30,954	27,694
Contract costs asset	19,450	20,335	20,386
Derivative financial instruments	9,291	5,547	22,659
Other	12,337	12,536	11,134
Total current assets	257,262	282,266	321,692
Non-current assets			
Plant and equipment	1,748,885	1,759,625	1,768,274
Intangibles	1,768,467	1,780,068	2,044,163
Right-of-use assets	138,574	151,119	–
Contract costs asset	11,459	9,630	8,160
Deferred tax	85,517	90,781	44,836
Other	15,783	18,571	19,008
Derivative financial instruments	11,319	355	446
Total non-current assets	3,780,004	3,810,149	3,884,887
Total assets	4,037,266	4,092,415	4,206,579
Liabilities			
Current liabilities			
Trade and other payables	222,556	251,803	252,484
Provisions	28,282	28,201	27,338
Deferred revenue	48,741	50,297	60,010
Income tax	12,983	8,819	3,154
Borrowings	46,135	52,242	57,103
Derivative financial instruments	26,499	21,217	4,975
Lease liabilities	14,032	15,385	–
Other	8,853	7,504	4,445
Total current liabilities	408,081	435,468	409,509
Non-current liabilities			
Provisions	19,585	21,949	27,453
Deferred revenue	157,071	156,875	170,908
Borrowings	926,435	962,403	1,058,803
Deferred tax	165,737	173,355	149,174
Derivative financial instruments	13,005	17,889	11,203
Other	5,927	6,510	11,516
Lease liabilities	145,589	156,667	–
Total non-current liabilities	1,433,349	1,495,648	1,429,057
Total liabilities	1,841,430	1,931,116	1,838,566
Net assets	2,195,836	2,161,299	2,368,013
Equity			
Contributed equity	3,778,470	3,776,212	3,775,752
Reserves	21,661	8,524	37,532
Accumulated losses	(1,604,295)	(1,623,437)	(1,445,271)
Total equity	2,195,836	2,161,299	2,368,013

(d) Historical statement of changes in equity

Below is a summary of Vocus' consolidated statement of changes in equity for the financial years ended 30 June 2019 and 30 June 2020 and the half year ended 31 December 2020.

CONSOLIDATED	CONTRIBUTED EQUITY	RESERVES	ACCUMULATED LOSSES	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2019				
Balance at 1 July 2018	3,775,454	11,658	(1,479,280)	2,307,832
Profit after income tax expense for the year	—	—	34,009	34,009
Other comprehensive income for the year, net of tax	—	19,646	—	19,646
Total comprehensive income for the year	—	19,646	34,009	53,655
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 25)	72	—	—	72
Share-based payments (note 33)	—	6,454	—	6,454
Transfers	226	(226)	—	—
Balance at 30 June 2019	3,775,752	37,532	(1,445,271)	2,368,013
Year ended 30 June 2020				
Loss after income tax expense for the year	—	—	(178,166)	(178,166)
Other comprehensive income for the year, net of tax	—	(36,846)	—	(36,846)
Total comprehensive income for the year	—	(36,846)	(178,166)	(215,012)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 33)	—	7,838	—	7,838
Transfers	460	—	—	460
Balance at 30 June 2020	3,776,212	8,524	(1,623,437)	2,161,299
Six months ended 31 December 2020				
Profit after income tax expense for the half-year	3,776,212	8,524	(1,623,437)	2,161,299
Other comprehensive income for the half-year, net of tax	—	—	—	—
Total comprehensive income for the half-year	—	8,684	—	8,684
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	—	8,684	19,142	27,826
Share-based payments	2,258	—	—	2,258
Balance at 31 December 2020	—	4,453	—	4,453

4 Information about Vocus

(e) Historical statement of cash flows

Below is a summary of Vocus' consolidated statements of cash flow for the financial years ended 30 June 2019 and 30 June 2020 and the half year ended 31 December 2020.

	HALF YEAR ENDED 31 DEC 2020	YEAR ENDED 30 JUNE 2020	YEAR ENDED 30 JUNE 2019
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers	1,000,733	1,934,691	2,139,478
Payments to suppliers and employees	(827,352)	(1,577,874)	(1,780,353)
	173,381	356,817	359,125
Interest received	115	500	761
Other finance costs paid	(24,817)	(64,335)	(39,949)
Income taxes paid	(11,226)	(15,095)	(23,170)
Net cash from operating activities	137,453	277,887	296,767
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired, acquisition and integration costs	—	(7,653)	(12,751)
Payments for property, plant and equipment	(67,416)	(137,780)	(133,088)
Payments for intangible assets	(33,362)	(55,073)	(36,243)
Payments for projects under construction	—	—	(139,357)
Proceeds from sale of assets	—	—	1,342
Net cash used in investing activities	(100,778)	(200,506)	(320,097)
Cash flows from financing activities			
Repayment of former debt facility	—	(1,111,046)	—
Drawdown of current debt facility	—	1,064,013	—
Proceeds/(Repayments) from borrowings	(37,734)	(23,334)	64,235
Repayment of finance leases and IRU liabilities	(13,902)	(21,615)	(11,620)
Payment of upfront borrowing costs	—	(12,994)	—
Net cash from/(used in) financing activities	(51,636)	(104,976)	52,615
Net increase/(decrease) in cash and cash equivalents	(14,961)	(27,595)	29,285
Cash and cash equivalents at the beginning of the period	59,604	87,199	57,914
Cash and cash equivalents at the end of the period	44,643	59,604	87,199

4.8 Material changes to Vocus' financial position since 31 December 2020

As at the date of this Scheme Booklet, within the knowledge of the Vocus Directors and other than as disclosed in this Scheme Booklet or announced on the ASX, there have been no material changes to the financial position of Vocus since 31 December 2020, being the date of Vocus half year reviewed accounts for the year ended 31 December 2020.

4.9 FY21 guidance

In its announcement to the ASX on 24 February 2021 regarding its H1FY21 results, Vocus provided the following guidance:

- (a) underlying EBITDA for the Vocus Group to be in the range of \$382m to \$397m in FY21;
- (b) Vocus Network Services recurring revenue to grow at 8%; and
- (c) Vocus Network Services underlying EBITDA to grow at 10% to 12% in FY21.

As at the date of this Scheme Booklet, Vocus reaffirms this FY21 guidance.

4.10 Vocus Directors' intentions for the business

The Corporations Act requires a statement by the Vocus Directors of their intentions regarding the Vocus Group's business. If the Scheme is implemented, Voyage intends to reconstitute the Vocus Board such that some or all of the Vocus Directors may be replaced (see section 5.4(c)). Accordingly, it is not possible for the Vocus Directors to provide a statement of their intentions after the Scheme is implemented regarding:

- the continuation of the business of the Vocus Group or how the Vocus Group's existing business will be conducted;
- any major changes, if any, to be made to the business of Vocus Group; or
- any future employment of the present employees of Vocus Group.

If the Scheme is implemented, Voyage will own and control all of the Vocus Shares. The Vocus Directors have been advised that the intentions of Voyage with respect to these matters are set out in section 5.4.

If the Scheme is not implemented, the Vocus Directors intend to continue to operate Vocus in the ordinary course of the business of Vocus.

4.11 Risks relating to Vocus business

There are existing risks relating to the Vocus Group's business and an investment in Vocus which will continue to be relevant to Vocus Shareholders if the Scheme does not become Effective. A summary of the key risks relating to the Vocus Group's business and an investment in Vocus is set out in section 6.3.

4.12 Publicly available information

Vocus is a listed disclosing entity for the purposes of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Specifically, as a company listed on the ASX, Vocus is subject to the ASX Listing Rules which require (subject to some exceptions) continuous disclosure of any information Vocus has that a reasonable person would expect to have a material effect on the price or value of Vocus Shares.

ASX maintains files containing publicly disclosed information about all companies listed on the ASX. Information disclosed to the ASX by Vocus is available on the ASX's website at www.asx.com.au.

In addition, Vocus is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Vocus may be obtained from an ASIC office.

Vocus Shareholders may obtain a copy of:

- Vocus 2020 Annual Report (being the last full financial statements given to the ASX); and
- the financial statements for the financial half-year ended 31 December 2020,

free of charge, by calling the Shareholder Information Line on 1300 219 444 (within Australia) or +61 3 9415 4326 (outside of Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time), or from ASX's website at www.asx.com.au.

5

Information
about Voyage
and the
Consortium

5 Information about Voyage and the Consortium

5.1 Introduction

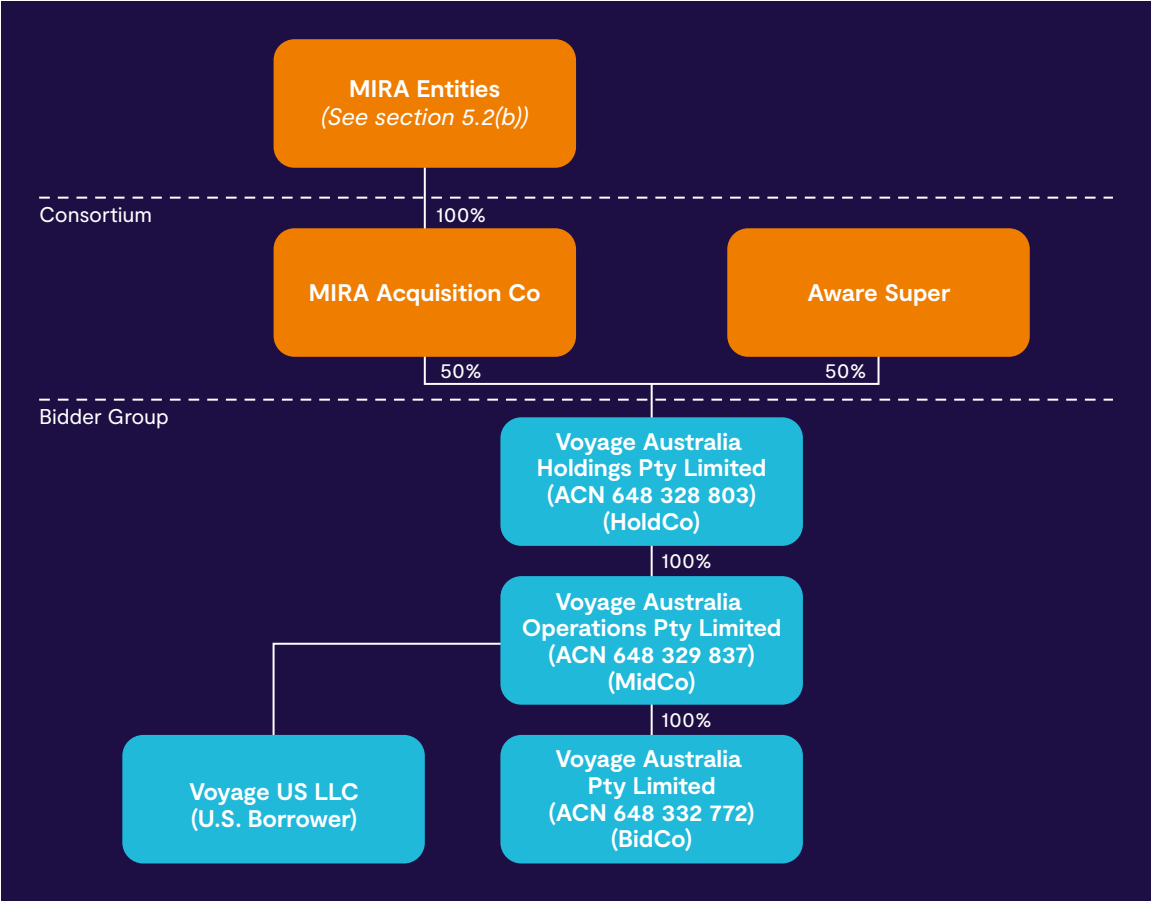
This section 5 contains information concerning the bidder, Voyage, and outlines how it is funding the Scheme Consideration and its intentions in relation to Vocus. This section 5 forms part of the Voyage Information. It has been prepared by Voyage and is the responsibility of Voyage. Vocus and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

5.2 Overview of Voyage

(a) Overview of ownership structure

Voyage is an Australian company which is owned (indirectly through a number of wholly owned subsidiaries) 50% by MIRA Acquisition Co and 50% by Aware Super. The ownership structure of Voyage, as at the date of this Scheme Booklet, is illustrated by the diagram below.

Voyage is a special purpose company that was incorporated for the purpose of acquiring all of the shares in Vocus under the Scheme, and has not conducted any other business.



5 Information about Voyage and the Consortium

(b) MIRA Acquisition Co

As at the date of this Scheme Booklet, MIRA Acquisition Co is owned (indirectly through a number of wholly owned subsidiaries) by the MAIF3 Fund (a fund managed by a wholly owned subsidiary of Macquarie Group that is part of MIRA) and MIRA Holdings. Shortly before the Implementation Date, MIGS1 and MIGS2 (which are also funds managed by wholly-owned subsidiaries of Macquarie Group that are part of MIRA) will also acquire interests in MIRA Acquisition Co.

MIRA is part of Macquarie Asset Management, the asset management business of Macquarie Group (ASX:MQG). MIRA is an alternative asset manager that specialises in infrastructure & renewables, real estate, agriculture, transportation finance and private credit.

As at 31 March 2021, MIRA had A\$195 billion of assets under management.¹⁴ Macquarie Asset Management has been managing assets for institutional and retail investors since 1980 in Australia.

(c) Aware Super

Aware Super is one of Australia's largest industry funds, managing over \$140 billion in assets and providing superannuation, advice and retirement solutions to more than 1 million members across Australia (post-mergers with VicSuper and WA Super in 2020). Aware Super's strategy and motivation centre on delivering the best possible retirement outcomes for its members. Aware Super's responsibility is to grow the value of members' superannuation by delivering competitive returns while managing investment risk and volatility. Prior to its rebranding in 2020, Aware Super was named 'First State Super'. Aware Super's new brand name demonstrates its ongoing commitment to action and impact – for its members, their communities, and the world we live in.

(d) Transaction Co-operation Agreement

MIRA Holdings and Aware Super are parties to a Transaction Co-operation Agreement dated 22 February 2021 under which they agree to work together to progress the Scheme. That agreement, which was released by each of MIRA Holdings and Aware Super to the ASX on 24 February 2021, includes certain obligations on the parties in relation to mutual exclusivity, cost sharing and conduct of the Transaction.

(e) Voyage Directors

As at the date of this Scheme Booklet, the directors of Voyage are: Ani Satchcroft – Executive Director of Macquarie Infrastructure and Real Assets; Maria Donnelly – Portfolio Manager of Aware Super's Infrastructure & Real Assets Division; Mark Hector – Senior Portfolio Manager of Aware Super's Infrastructure & Real Assets Division; and Patrick McCawe – Division Director of Macquarie Infrastructure and Real Assets.

5.3 Funding arrangements

(a) Overview

The Scheme Consideration is \$5.50 per Scheme Share. If the Scheme is implemented, Scheme Shareholders will be entitled to receive the Scheme Consideration per Scheme Share held on the Scheme Record Date.

The maximum aggregate amount of cash payable by Voyage to Scheme Shareholders under the Scheme will be approximately \$3.42 billion, based on the number of:

- Vocus Shares currently on issue (being 621,214,651 Vocus Shares); and
- approximately 875,473 Vocus Shares expected to be issued as a result of the vesting of 1,117,000 Options¹⁵ and 242,550 Performance Rights, as described in sections 8.3(e)(ii) and 8.3(g)(i), respectively.

Voyage intends to fund payment of the Scheme Consideration using a combination of debt and equity. These funding arrangements are described below in section 5.3(b) and 5.3(c).

The proceeds available to Voyage under the Debt Facilities, together with the Equity Funding, are in excess of the maximum aggregate Scheme Consideration and the amount that could be required to fund the Refinancing (each as defined below).

14. For MIRA, 'assets under management' represents the enterprise value of assets under management based on enterprise value in proportion to the MIRA-managed equity ownership of each investment, calculated as proportionate net debt and equity value at most recent valuation date (31 March 2021, for the majority of assets).

15. As a result of the 'cashless exercise' of these Options discussed in section 8.3(e)(ii), the total number of Vocus Shares to be issued on exercise of these Options will be approximately 632,923.

(b) Equity Funding

Voyage has received legally binding equity commitment letters from:

- Aware Super for A\$1,322,730,274; and
- MIRA Holdings and a MAIF3 Fund investment vehicle for, in aggregate, A\$1,322,730,274,

(each an **Equity Commitment Party**) dated 8 March 2021 (the **Equity Commitment Letters**) under which the relevant Equity Commitment Party commits to provide their respective proportion of the cash amounts noted above to Voyage (together, the **Equity Funding**) for the purpose of funding part of the aggregate Scheme Consideration payable by Voyage under the Scheme. Each Equity Commitment Party has access to cash and undrawn commitments sufficient to fund their respective proportion of the Equity Funding. The Equity Commitment Parties and the MIRA Funds have confirmed they will retain sufficient commitments and/or free cash until the Implementation Date, and that such commitments are only subject to conditions that are within their respective control.

The Equity Funding is subject to the satisfaction or waiver (as applicable) of each of the conditions of the Scheme Implementation Deed and Deed Poll, but is otherwise unconditional.

(c) Debt Facilities

Voyage has entered into a debt commitment letter (the **Debt Commitment Letter**) under which Morgan Stanley Senior Funding, Inc., Deutsche Bank AG New York Branch, Deutsche Bank AG, Sydney Branch, Deutsche Bank Securities Inc. and Natixis, Hong Kong Branch (collectively, the **Arrangers**) have severally agreed to directly or indirectly provide certain secured debt facilities (**Debt Facilities**) in an aggregate amount of no less than approximately A\$2,150 million to Voyage.

Voyage is permitted to use the proceeds of borrowings under the Debt Facilities to fund the Scheme Consideration, to refinance certain existing debt facilities (including by backstopping or replacing certain existing letters of credit and similar credit support arrangements) of the Vocus Group (the **Refinancing**) and to pay fees, costs and expenses related to the Scheme.

The proceeds of borrowings under such Debt Facilities, together with the Equity Funding, are in excess of the maximum aggregate Scheme Consideration and the amount that could be required to fund the Refinancing as well as such fees, costs and expenses.

The availability of the Debt Facilities is subject to the satisfaction of certain customary conditions precedent, including:

- confirmation by Voyage that completion of the acquisition of the Scheme Shares has occurred or will occur substantially concurrently with the initial borrowings under the Debt Facilities (or release thereof from a designated trust account as specified in the Debt Commitment Letter) in all material respects in accordance with the Scheme Implementation Deed;
- confirmation that there has been no amendment, supplement or modification to, or a waiver granted under, the Scheme Implementation Deed provided to the Arrangers on or prior to the date of the Debt Commitment Letter that is materially adverse to the interests of the Arrangers, taken as a whole, unless they have provided their prior written consent (not to be unreasonably withheld, conditioned or delayed);
- confirmation by Voyage that the Refinancing and Equity Funding will occur substantially concurrently with the initial borrowings under the Debt Facilities (or release thereof from a designated trust account as specified in the Debt Commitment Letter);
- delivery of certain audited, unaudited and *pro forma* financial statements with respect to Vocus Group as specified in the Debt Commitment Letter;
- execution of definitive long form credit documentation as described below;
- the accuracy of certain representations made with respect to Vocus under the Scheme Implementation Deed in all material respects (or to the extent qualified by materiality, in all respects), to the extent a breach thereof would be material and adverse to the interests of the Arrangers, but only if a breach would entitle Voyage to terminate the Scheme Implementation Deed or decline to consummate the acquisition; and
- the accuracy of certain representations identified in the Debt Commitment Letter made with respect to Voyage in all material respects (or to the extent qualified by materiality, in all respects).

It is expected that as of the Second Court Date, the Debt Commitment Letter will be superseded by a definitive long form credit agreement and related definitive financing documentation to be executed among the parties thereto, the material terms and conditions of which are specified in the Debt Commitment Letter.

5 Information about Voyage and the Consortium

It is expected that the conditions to the Debt Facilities will be satisfied on or before the Second Court Date (other than certain procedural conditions which are intended to be satisfied concurrently with, or prior to, the initial borrowings under the Debt Facilities or prior to the Implementation Date, including the payment of fees, costs and expenses).

As at the Last Practicable Trading Date, Voyage is not aware of any reason why the conditions to the Debt Facilities will not be satisfied so as to enable the relevant Debt Facilities to be drawn for the purpose of funding the Scheme Consideration and the Refinancing.

(d) Cancellation Payment for Options, Legacy Options and Performance Rights

As described in section 8.3, subject to the Scheme becoming Effective, with effect on and from the Implementation Date:

- the first tranche of Options will be cancelled under the Option Cancellation Deeds, and the Legacy Options will be cancelled under the Legacy Option Cancellation Deed, in return for the payment of an aggregate cash amount of up to A\$47,459,559.40¹⁶ by Vocus; and
- the contractual rights to future grants of two additional tranches of Performance Rights will be cancelled under the Future NZ Grant Cancellation Letters in return for the payment of an aggregate cash amount of up to NZ\$900,000 by Vocus,

(together, the **Implementation Cancellation Payment**). Voyage has entered into a facility agreement with Vocus under which Voyage has agreed to provide Vocus with an unsecured, interest free loan to fund the payment of the Implementation Cancellation Payment (**Cancellation Loan**).

Vocus can only access the Cancellation Loan if the Scheme becomes Effective. The Cancellation Loan has been negotiated on arm's length commercial terms.

Voyage has sufficient funds available from the proceeds of borrowings under the Debt Facilities and the Equity Funding to satisfy its obligations under the Cancellation Loan.

(e) Provision of Scheme Consideration

On the basis of the arrangements described above, Voyage is of the opinion that it has a reasonable basis for holding the view, and holds the view, that it will be able to satisfy the funding commitments described in this section 5.3.

5.4 Voyage's intentions

(a) Introduction

If the Scheme is implemented, Voyage will become the holder of all Vocus Shares and, accordingly, Vocus will become a wholly-owned subsidiary of Voyage.

This section 5.4 sets out Voyage's present intention only and are based on the information concerning Vocus (including certain non-public information made available by Vocus to Voyage prior to the entry into the Scheme Implementation Deed) and the general business environment which is known to Voyage at the time of preparation of this Scheme Booklet. Voyage does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess all of the operational, commercial, taxation and financial implications of its present intentions. Voyage's present intentions concerning the businesses, assets and employees of Vocus are the same as the intentions of MIRA Acquisition Co and Aware Super.

If the Scheme is implemented, Voyage intends to undertake a detailed review of Vocus' assets and operations, including to evaluate their performance, prospects and strategic relevance. Voyage will only make final decisions following the completion of its review of Vocus' business and based on the facts and circumstances at the relevant time.

Accordingly, the statements set out in this section 5.4 are statements of present intention and may change as new information becomes available or as circumstances change.

(b) Vocus' removal from the ASX

Following the implementation of the Scheme, Voyage will arrange for Vocus to apply for the termination of the official quotation of Vocus Shares on the ASX and for Vocus to be removed from the ASX's official list with effect on or around the Business Day immediately following the Implementation Date.

16. The aggregate cash amount payable for the first tranche of Options under the Option Cancellation Deeds is up to A\$47,418,934 and the aggregate cash amount payable under the Legacy Option Cancellation Deed is up to A\$40,625.40.

(c) Board of directors

If the Scheme is implemented, the Vocus Board will be reconstituted, such that some or all of the directors may be replaced, with effect on and from the Implementation Date. At the date of this Scheme Booklet, the new directors have not been identified.

(d) Employees

Voyage considers Vocus' employees to be a necessary component of the future success of the business. Following implementation of the Scheme, Voyage will review Vocus' business operations and organisational structure to ensure Vocus has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities.

(e) Changes to Vocus' constitution

Voyage has no current intention to make material changes to Vocus' constitution following implementation of the Scheme, other than to reflect that Vocus will no longer be a publicly listed company following implementation of the Scheme.

The Vocus constitution will be considered as part of Voyage's broader review of Vocus and, if deemed appropriate, will be amended.

(f) Business, operations and assets

Subject to the findings of the post-acquisition review referred to in this section 5.4, Voyage's current intention is to continue the strategic direction of Vocus, whereby it continues its focus on the provision of inter-capital, metro and regional connectivity in Australia to enhance Vocus' position as a specialist fibre and network solutions provider. In particular, Voyage currently intends to pursue this strategy by providing access to capital required to enable Vocus to continue to extend its core fibre network and build on product capabilities. Voyage also recognises the value and contribution made by the Vocus Retail and Vocus New Zealand operations and their employees and intends to determine the optimal approach to achieve the potential inherent value within these businesses following a comprehensive review of Vocus' options under Voyage ownership.

5.5 Additional information**(a) Relevant Interests in Vocus Shares**

Voyage itself is not the registered holder of, nor does it have the power to control voting rights attached to, or the power to dispose of, any Vocus Shares.

Under the Corporations Act, Voyage has Voting Power in 39,232,308 Vocus Shares (which represents 6.32% of Vocus' issued shares) because Voyage's Associates (being, relevantly, MIRA and Aware Super) have Relevant Interests in those Vocus Shares as follows:

(i) MIRA has a Relevant Interest in 17,303,161 Vocus Shares (which represents 2.79% of Vocus' issued shares) due to certain deeming provisions in the Corporations Act that apply because MIRA is part of the Macquarie Group and other members of the Macquarie Group (who are not part of MIRA) have a Relevant Interest in those Vocus Shares. Those other members of the Macquarie Group, who are not Associates of Voyage in respect of Vocus and, operate on the other side of information barriers. Of those 17,303,161 Vocus Shares:

- 287,059 Vocus Shares are held beneficially by Macquarie Bank Limited. Macquarie Bank Limited intends to abstain from voting these Vocus Shares on the Scheme;
- 11,000,000 Vocus Shares are held pursuant to stock borrowing and lending activities under which Macquarie Bank Limited retains certain voting rights in respect of the shares. Macquarie Bank Limited intends to abstain from voting these Vocus Shares on the Scheme to the extent it retains voting rights in these Vocus Shares;
- 4,452,952 Vocus Shares, while held by third parties, are subject to investment management arrangements with Macquarie Investment Management Global Limited in its capacity as investment manager for those third parties;
- 832,021 Vocus Shares are held by Macquarie Investment Management Australia Limited in its capacity as responsible entity of various registered managed investment schemes; and
- 731,129 Vocus Shares are held by Macquarie Investment Management Limited (**MIML**) as a bare trustee or custodian for third party investors, including as part of an "Investor Directed Portfolio Service" operated by MIML. Those Vocus Shares that are held by MIML on an "investor directed" basis are held on the basis that MIML can only vote those Vocus Shares if and as directed to do so by the underlying third party investors. Accordingly, MIML will only vote any Vocus Shares it holds as part of its Investor Directed Portfolio if and as directed by such third party investors to do so.

5 Information about Voyage and the Consortium

- (ii) Aware Super has a Relevant Interest in 21,929,147 Vocus Shares (which represents 3.53% of Vocus' issued shares), of which 21,538,878 Vocus Shares are held beneficially by Aware Super and 390,269 Vocus Shares are held by Aware Financial Services Australia Limited as trustee for third parties, which Aware Super has a Relevant Interest in pursuant to section 608(3) of the Corporations Act. Dealings in those Vocus Shares in which Aware Super has a Relevant Interest are controlled by an Aware Super team involved in listed equities investments that operates on the other side of information barriers from the Aware Super team that has been involved in the Transaction. Aware Super intends to abstain from voting those Vocus Shares on the Scheme.

These interests in Vocus Shares are held as at Thursday, 13 May 2021.

(b) Dealing in Vocus Shares in previous four months

Other than as disclosed in the notice of initial substantial holder lodged with the ASX on 24 February 2021 by each of MIRA Holdings and Aware Super (**SHNs**) (details of which are set out in sections 4.5(b) and 5.5(a)), neither Voyage nor its Associates has provided or agreed to provide any consideration for any Vocus Shares under any transaction or agreement during the period of four months before the date of this Scheme Booklet, except for the Scheme Consideration which Voyage has agreed to provide under the Scheme. The highest price paid for any Vocus Share by any of the persons who hold the Relevant Interests noted in section 5.5(a) above is below \$5.50.

(c) Benefits to Vocus Shareholders

Other than the cash consideration paid for Vocus Shares as disclosed in the SHNs (to the extent applicable), during the four months before the date of this Scheme Booklet, none of Voyage or its Associates have given, or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of the Scheme; or
- dispose of Vocus Shares,

where the benefit was not offered to all Vocus Shareholders.

(d) Benefits to current Vocus officers

Neither Voyage nor any of its Associates will be making any payment or giving any benefit to any current officers of Vocus or any of its Subsidiaries as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices dependent on the Scheme being implemented.

(e) No interests of Voyage directors in Vocus Shares

As at the date of this Scheme Booklet, none of the directors of Voyage have a Relevant Interest in any Vocus Shares.

(f) No other material information

Except as otherwise disclosed in this Scheme Booklet, there is no other Voyage Information that is material to the making of a decision in relation to the Scheme, being Voyage Information that is within the knowledge of the directors of Voyage, at the date of this Scheme Booklet, which has not previously been disclosed to Vocus Shareholders.

6

Risks

6 Risks

6.1 Introduction

The Vocus Board considers that it is appropriate for Vocus Shareholders, in considering the Scheme, to be aware that there are a number of general risk factors as well as risks specific to Vocus and/or the industries in which it operates, which could materially adversely affect the future operating and financial performance of Vocus, as well as the value of Vocus and the potential for any future dividends.

This section outlines:

- general investment risks (refer to section 6.2); and
- specific risks associated with your current investment in Vocus (refer to section 6.3).

This section 6 is a summary only. There may be additional risks and uncertainties not currently known to Vocus which may also have a material adverse effect on Vocus' financial and operational performance now or in the future.

If the Scheme becomes Effective, Vocus Shareholders will receive the Scheme Consideration, cease to be a Vocus Shareholder and also no longer be exposed to the risks set out below (and other risks to which Vocus may be exposed). If the Scheme does not proceed, Vocus will continue to operate as a stand-alone entity listed on the ASX, you will continue to hold your Vocus Shares and continue to be exposed to risks and opportunities associated with that investment.

In making your decision to vote on the Scheme Resolution, you should read this Scheme Booklet carefully. You should carefully consider the risk factors outlined below and your individual circumstances. This section 6 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs.

While the Vocus Board unanimously recommends that eligible Vocus Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, Vocus Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme.

6.2 General investment risks

Like many listed companies, the market price of Vocus Shares and the potential for any future dividends to Vocus Shareholders are influenced by a number of factors, including the following:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in sentiment in credit markets;
- changes in general economic and business conditions, including levels of consumer spending, business demand, inflation, interest rates and exchange rates, access to debt and capital markets;
- changes in government fiscal, monetary, taxation and regulatory policies, including foreign investment policies;
- governmental or political intervention in export and import markets (including sanction controls and import duties) and the disruptions this causes to supply and demand dynamics;
- changes to the rate of company income tax or the tax arrangements between Australia and other jurisdictions in which Vocus operates;
- natural disasters and catastrophes (including pandemics), whether in global, regional or local scale; and
- changes to accounting standards and reporting standards.

6.3 Risks associated with your current investment in Vocus Shares

While Vocus has completed a significant turnaround of its business in the past three years, and is currently in a strong position to capitalise on a range of historical and current growth initiatives, there are a range of business-specific risks associated with your current investment in Vocus Shares, as set out below. You will only continue to be exposed to these risks if the Scheme does not proceed, in which case, in the absence of a Superior Proposal which is ultimately consummated, Vocus will continue to operate as a stand-alone entity listed on the ASX.

(a) Capital required to invest in growth opportunities

Vocus' growth initiatives will require financing. Vocus may not be successful in obtaining the funding to capitalise on these initiatives. One source of funding for growth initiatives was the proposed initial public offering of the Vocus New Zealand business, however, if such initial public offering was unsuccessful, an alternative source of funding would be required.

Further, as consumers' demand for data continues to increase, Vocus will need to continue to re-invest in its existing network in order to increase capacity and remove bottlenecks. If Vocus is unable to increase capacity across its network to meet increased demand, it would be less able to provide its services to customers in an economical and efficient manner. This could negatively impact financial performance.

(b) Increased competition in telecommunications and IT industries

There are potential risks to some aspects of Vocus' business which operate in more competitive segments of the telecommunications and information technology industries. Vocus may face the risk of loss of market share to existing or new entrants to the various markets in which it operates. A failure by Vocus to effectively compete may adversely affect its sales revenue and financial performance. New technologies, such as fixed wireless and 5G, provide opportunities for existing players and new entrants to grow their market share. NBN Co has also entered the competitive Enterprise segment, which has implications for Vocus' strategy and ability to compete.

(c) Changes in technology and information technology risk

The telecommunications and information technology industries are continually evolving, as are consumer behaviour and attitudes towards the use of technology. The ability of Vocus to keep pace with changes in technology may impact Vocus' ability to maintain and grow its existing market share and margins into the future.

Vocus is heavily reliant on its information technology systems to deliver services to its customers across its network. Vocus has invested in its information technology platform in order to improve the efficiency of its operations and the quality of its service. If these systems are not adequately maintained, secured and updated, or if Vocus' disaster recovery processes are not operating effectively, system failures may negatively impact Vocus' performance.

Further, Vocus has completed a number of acquisitions in recent years and is in the process of integrating and consolidating a number of information technology systems as part of an information technology transformation program. These information technology transformation programs are still in progress and may cause unexpected disruptions, fail to provide anticipated benefits or otherwise be unsuccessful. The successful completion of these programs is critical to Vocus achieving its goals, and therefore, any challenge to this represents a key risk to Vocus.

In positioning Vocus to remain competitive in the face of technology change it is also important that Vocus remains disciplined around capital investment to ensure that returns to shareholders are maximised.

(d) NBN Co continues to evolve its wholesale pricing model

Vocus purchases access to the final section of the Australian telecommunications network (which reaches Australian retail customers) from NBN Co, being the sole provider in Australia. As such, Vocus' Retail business is exposed to NBN Co's evolving wholesale pricing model. NBN Co's current pricing model, the variable nature of that pricing model and the increasing consumer demand for data has had, and potentially continues to have, a significant impact on profitability of NBN plans for all retail service providers, including Vocus. It is uncertain whether this pricing environment will improve.

(e) Financial and commodity markets

- (i) **Commodity price risk** – Vocus' energy business in both Australia and New Zealand is exposed to an extent to sharp movements in the price of both electricity and gas. Vocus seeks to hedge its exposure to adverse fluctuations through the use of over the counter derivatives and contracts via the futures market. Notwithstanding these hedging arrangements, Vocus may still be exposed to movements in the price of both electricity and gas.
- (ii) **Interest rate risk** – Interest rate risk arises from cash on deposit, bank loans and long-term borrowings. Vocus is subject to the risk of rising interest rates associated with borrowing on a floating rate basis.
- (iii) **Foreign currency risk** – Vocus is exposed to changes in foreign exchange rates (primarily in NZD, PHP and USD) as a result of transactions associated with the sale and purchase of goods and services; trade receivables and trade payables; and interest bearing loans. Vocus is also exposed to foreign exchange movements in the NZD on the translation of the earnings, assets and liabilities of its foreign operations. Vocus enters into derivative contracts such as forward exchange hedge contracts to buy and sell specified amounts of foreign currency denominated in US dollar and Philippine Peso in the future at stipulated exchange rates and options contracts. The objective of entering into forward exchange contracts and options contracts is to protect Vocus against unfavourable exchange rate movements for highly probable forecasted purchases of inventory, capital equipment and payments for services.
- (iv) **Credit risk** – Vocus is exposed to credit risk that a counterparty will default on its contractual obligations resulting in financial loss. The Vocus Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Vocus Group based on recent sales experience, historical collection rates and forward-looking information that is available. Vocus does not hold any credit derivatives to offset its credit exposure.
- (v) **Liquidity risk** – Vocus is exposed to liquidity risk and the requirement to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

(f) Exposure to Counterparty risk

Vocus is exposed to the financial and operational performance of third-party suppliers including companies such as NBN Co, Optus, Telstra and the provider of the Vocus Retail contact centre services in the Philippines.

(g) Regulatory, Safety and Environmental Risks

Vocus operates in highly regulated industry sectors, which have been identified as focus areas for enforcement by various regulators including the Australian Competition and Consumer Commission.

The protection of customer, employee and third-party data is critical. The regulatory environment surrounding information security and privacy is evolving constantly and becoming increasingly complex and demanding, including the implementation of a number of new regulations such as mandatory data breach reporting and more recently, the cyber surveillance laws and consumer data rights legislation. Customer requirements and expectations are also becoming more stringent in light of the harms which could occur in this area. Breach incidents in this area could have a material impact on Vocus' reputation and its ability to compete and operate effectively in the market, resulting in an increased cost of compliance to mitigate and manage this risk.

A small part of Vocus' workforce operate outside the office environment, in roles within Vocus' data centre, fibre operations, warehousing and logistics divisions, amongst others. These roles give rise to an inherently higher safety risk, which Vocus manages through its workplace health and safety management system.

(h) Network and Operational disruption

Vocus is also exposed to network and operational disruption risk across its Enterprise, Government, Wholesale and Retail customers. The potential risks to Vocus' network performance include:

- (i) Vocus' ability to deliver its products and services could be impacted by material disruption or damage to both Vocus and third-party networks and products. This disruption could arise as a result of events which are to a certain extent beyond Vocus' control such as employee negligence or unauthorised physical or electrical access.
- (ii) Vocus' ability to deliver its services could be impacted by remote access attacks, viruses and other forms of cybercrime.

In September 2018, Vocus' Australia Singapore Cable (a sub-sea cable between Perth and Singapore via Indonesia) commenced operating. The sub-sea fibre path is subject to the risk of fibre cuts, which can give rise to long lead times to identify and repair, particularly if the cut occurs in deep water.

Vocus' infrastructure assets are exposed to the impact of natural disasters and climate change risk across Australia and New Zealand including seismic activity, particularly in New Zealand. Natural disasters have the potential to impact the delivery of products and services resulting in significant business disruption.

(i) Workplace health & safety

Actual or potential harm to any workers and other persons in the workplace could have a reputational and financial impact on the Vocus Group, including increases in insurance premiums, penalties and decrease in staff morale and productivity.

To mitigate this risk, Vocus:

- maintains a robust governance and reporting framework, including continuous review of the risk register for identification of new risks/hazards and mitigation strategies;
- focuses on workplace health & safety initiatives and ensure regular stakeholder training;
- continues to upgrade equipment (where appropriate) to improve automation and reduce manual handling exposures; and
- uses qualified external consultants to review practices and implement continuous improvements.

(j) Loss of key people

Loss of key management personnel could have a material impact on the Vocus Group's operating and financial performance during the period until suitable replacements are found.

To mitigate this risk, Vocus has in place employee retention strategies, including adequate remuneration (including appropriate short and long-term incentive programs), culture, employment policies, and succession planning, and ensures that an adequate spread of duties is adopted. In addition, Vocus undertakes succession planning, executive coaching and other arrangements to continue to build capability and support future growth.

(k) Litigation and disputes

As with any company, Vocus may be exposed to potential legal claims, litigation and disputes in the future. Any such claims, litigation or disputes may, depending on the circumstances (including the size, nature and outcome of the proceedings), have an adverse financial effect on Vocus. Even if such matters are successfully disposed of without direct adverse financial effect, they may have an adverse effect on Vocus' reputation and divert resources and management attention.

(l) Inability to pay dividends or make distributions

The payment of future dividends (if any) by Vocus will be determined by the Vocus Board at its discretion and in accordance with the Corporations Act from time to time and will be dependent on factors including profitability, gearing position, the need to fund working capital and acquisitions in line with strategic objectives and the cash flow of Vocus' business at the relevant time. Vocus has not paid any dividends since an interim dividend was paid to Vocus Shareholders on 21 April 2017.

(m) Capital expenditure and markets

The risk of unforeseen capital or other expenditure requirements for Vocus may impact its financial performance.

Vocus needs to ensure that it has access to a competitive cost of capital to enable it to operate effectively in its target markets. There may be external factors that impact the efficient working of capital markets at any particular point in time that could impact Vocus' access to capital markets. There may also be company-specific issues impacting Vocus' ability to access capital markets including its delivery on earnings expectations and its financial position.

6 Risks

(n) Insurance

Vocus carries a range of insurance products for, among other things, workers compensation, public liability, industrial special risks, and directors and officers liability. However, Vocus' insurance will not cover every potential risk associated with its operations.

The occurrence of a significant adverse event, the risks of which are not, or are not fully, covered by insurance, could have a material adverse effect on Vocus' financial condition or performance. Dependent on the type of coverage, Vocus may have to incur an excess prior to any payment by the insurer or pay for any difference between full replacement cost and insured amount. Vocus may also incur increases to its insurance premium applicable to other areas of cover as a result of the event.

Vocus may not be able to recover under its insurance if the company or companies providing the insurance (or any reinsurance) are under financial distress or fail.

(o) Other operating risks

Other risks that may arise in relation to Vocus operations include, but are not limited to:

- working capital management related risks, such as:
 - inventory levels and obsolescence;
 - customer credit terms and debtor balances; and
 - supplier credit availability and creditor balances;
- customer related risks, such as the loss of a major customer or credit risks from customer bankruptcies;
- business continuity and interruption related risks, such as:
 - impacts on Vocus operations and locations from natural events, such as earthquakes, floods, fires or droughts;
 - interruptions at Vocus workplaces arising from industrial disputes and work stoppages and accidents; and
 - information technology related service outages and failures including cyber-incidents; and
- risks related to compliance with laws and regulations relevant to Vocus operations in areas including, but not limited to:
 - occupational health and safety;
 - operating licences and permits;
 - competition and fair trading;
 - tax; and
 - environmental standards.

(p) Uncertainty associated with COVID-19 pandemic

Vocus is unable to predict the full impact that the COVID-19 pandemic will have on its operations and financial performance in the medium to longer term. The direct effects of the pandemic could include:

- adverse fluctuations in Vocus' share price, including as a consequence of volatility in financial markets;
- risks of increased bad debt due to customers experiencing financial distress as a result of the pandemic;
- suspensions or terminations of projects by current or future customers; or
- a decline in revenue due to customers being subject to forced business closures.

The market volatility and economic uncertainty that remains could adversely impact Vocus' business and its ability to drive shareholder value.

(q) Unknown risks

Additional risks and uncertainties not currently known to Vocus may also have a material adverse effect on Vocus' financial and operational performance. The information set out in this section 6 does not purport to be, nor should it be construed as representing, an exhaustive list of all the risks affecting Vocus, its business or an investment in Vocus.

7

Taxation implications

7 Taxation implications

7.1 Introduction

The following is a general summary of the Australian income tax, goods and services tax (**GST**), and stamp duty implications for Vocus Shareholders who dispose of their Vocus Shares under the Scheme. These comments assume that the Scheme will be implemented in accordance with the terms described in the Scheme Implementation Deed.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (Cth) (**ITAA 1936**), the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) and the *Taxation Administration Act 1953* (Cth) (**TAA**) as at the date of this Scheme Booklet. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities.

This summary is general in nature only, should be read in conjunction with the rest of the Scheme Booklet, and it is not intended to be an authoritative or complete statement of the tax laws applicable to the particular circumstances of Vocus Shareholders. It is therefore recommended that Vocus Shareholders obtain their own professional tax advice relevant to their circumstances.

The information provided below is not applicable to all Vocus Shareholders. This summary is relevant to Vocus Shareholders who are individuals, companies (other than life insurance companies), trusts and complying superannuation funds that hold their Vocus Shares on capital account for Australian tax purposes. This summary does not apply to Vocus Shareholders who:

- (a) hold their Vocus Shares on revenue account (such as share trading entities or entities who acquired their Vocus Shares for the purposes of resale at a profit) or as trading stock;
- (b) hold their Vocus Shares under an employee share scheme offered by Vocus or otherwise hold Options that will vest if the Scheme becomes Effective where those Vocus Shares or Options remain subject to deferred taxation under Division 83A of the ITAA 1997;
- (c) may be subject to special tax rules, such as partnerships, tax exempt organisations, entities subject to the investment manager regime under subdivision 842-I of the ITAA 1997 in relation to their Vocus Shares, insurance companies, dealers in securities or shareholders who change their tax residency while holding their Vocus Shares;
- (d) have a functional currency for Australian tax purposes other than an Australian functional currency; or
- (e) are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Vocus Shares.

7.2 Disposal of Vocus Shares

(a) Australian tax residents

Under the proposed Scheme, Vocus Shareholders will dispose of their Vocus Shares to Voyage in exchange for the Scheme Consideration. This disposal will trigger capital gains tax (**CGT**) event A1.

The CGT event should occur when the change of ownership of the Vocus Shares occurs. Under the Scheme, the change of ownership will occur on the 'Implementation Date'.

Broadly, a Vocus Shareholder will:

- make a 'capital gain' if the capital proceeds from the disposal of their Vocus Shares exceeds the cost base of their Vocus Shares; or
- make a 'capital loss' if the capital proceeds from the disposal of their Vocus Shares are less than the reduced cost base of their Vocus Shares.

Vocus Shareholders who make a capital gain on the disposal of their Vocus Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

A capital loss realised on the disposal of the Vocus Shares may be used to offset other capital gains derived by a Vocus Shareholder in the income year in which the capital loss is realised, or may be carried forward to offset capital gains derived by the Vocus Shareholder in future income years. Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. Vocus Shareholders should obtain their own tax advice in relation to the operation of these rules.

(i) Capital Proceeds

The capital proceeds for the CGT event arising from the disposal of Vocus Shares under the Scheme will consist of the money received, or entitled to be received, by a Vocus Shareholder. Accordingly, the capital proceeds should include the Scheme Consideration (being \$5.50 per Vocus Share) received under the Scheme.

(ii) Cost base

The cost base and reduced cost base of Vocus Shares will generally include the amount paid, or the market value of any property given, to acquire the Vocus Shares, plus any incidental costs of acquisition (e.g. brokerage fees and stamp duty). The cost base of each Vocus Share will depend on the individual circumstances of each Vocus Shareholder.

Vocus Shares acquired in different transactions may have different cost bases and therefore capital gains may arise in respect of some Vocus Shares while capital losses may arise in respect of other Vocus Shares.

(iii) CGT discount

Generally, Australian resident Vocus Shareholders who are individuals, trusts, and complying superannuation funds that have held Vocus Shares for at least 12 months at the time of disposal may be entitled to a CGT discount in calculating the amount of capital gain on disposal of their Vocus Shares.

The CGT discount is applied after any available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which would reduce a capital gain arising from the disposal of Vocus Shares is 50% in the case of individuals and trusts or 33⅓% in the case of Australian complying superannuation entities. The CGT discount is not available for Vocus Shareholders that are companies.

As the rules relating to discount capital gains for trusts are complex, Vocus recommends that Vocus Shareholders who are trustees seek their own independent advice on how the CGT discount provisions will apply to them and the trust's beneficiaries.

(b) Non-Australian tax resident Vocus Shareholders

For a Vocus Shareholder who:

- is a foreign resident, or the trustee of a foreign trust for CGT purposes; and
- has not used their Vocus Shares at any time in carrying on a business through a permanent establishment in Australia,

the disposal of the Vocus Shares should generally only result in Australian CGT implications if, in broad terms:

- that Vocus Shareholder together with their associates held an interest of 10% or more in Vocus at the time of disposal or for a 12-month period within the 24-month period preceding the disposal (referred to as a 'non-portfolio interest'); and
- more than 50% of the market value of Vocus' assets is attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation) (referred to as the 'principal asset test').

A non-resident individual Vocus Shareholder who has previously been an Australian tax resident and chose to disregard a capital gain or loss in respect of their Vocus Shares from CGT event I1 on ceasing to be an Australian tax resident may be subject to Australian CGT consequences on disposal of their Vocus Shares.

Any non-resident Vocus Shareholder that may be subject to Australian CGT on the disposal of their Vocus Shares may have some of their Scheme Consideration withheld and remitted to the ATO under the 'foreign resident capital gains withholding' rules (discussed below).

Vocus Shareholders that are non-Australian tax residents should seek independent tax advice as to the tax implications of the Scheme, including tax implications in their country of residence.

7 Taxation implications

7.3 Foreign Resident Capital Gains Withholding Tax

Under the 'foreign resident capital gains withholding' regime, Voyage may have an obligation to withhold and pay to the ATO an amount equal to 12.5% of the Scheme Consideration on each Vocus Share under section 14-200 of Schedule 1 of the TAA.

(a) Vocus Shareholder – relevant foreign resident

Generally, these rules apply if a Vocus Share acquired by Voyage is an 'indirect Australian real property interest' (that is, if the 'non-portfolio interest' test and the 'principal asset' test discussed above at section 7.2(b) are satisfied) and Voyage:

- knows or reasonably believes that a Vocus Shareholder is a foreign resident; or
- does not reasonably believe that the Vocus Shareholder is an Australian resident, and either:
 - the Vocus Shareholder has an address outside Australia (according to any record that is in Voyage's possession, or is kept or maintained on Voyage's behalf, about the transaction); or
 - the Vocus Shareholder has authorised to provide a financial benefit to a place outside Australia (whether to Voyage or anyone else).

A number of factors may be considered in determining whether an entity considers or reasonably believes a shareholder is a 'relevant foreign resident', including whether that shareholder:

- is classified as a non-resident in the entity's share register or has a non-Australian domicile in the entity's share register;
- has a foreign registered address;
- is not incorporated in Australia; or
- is a corporate shareholder and otherwise has a registered name which leads the entity to reasonably believe that the shareholder is not an Australian incorporated entity.

(b) Declaration Form

In order to comply with its obligations under the foreign resident capital gains withholding regime, Voyage will seek a declaration from certain relevant Vocus Shareholders that:

- the Vocus Shareholder is and will be an Australian tax resident (**Residency Declaration**); or
- the Vocus Shares held by the Vocus Shareholder are membership interests in Vocus but not 'indirect Australian real property interests' (**Interest Declaration**).

(c) Withholding payment

If a valid Residency Declaration or Interest Declaration is received from the relevant Vocus Shareholder from which a declaration has been sought by the required time, Voyage will not be required to withhold any amount on account of foreign resident capital gains withholding from the Scheme Consideration payable to that Vocus Shareholder.

If no valid declaration is received from the relevant Vocus Shareholder from which a declaration has been sought, under section 14-200 of Schedule 1 of the TAA:

- Voyage may (and is likely to) deduct an amount equal to 12.5% (or some lesser amount approved by the Commissioner of Taxation) of the Scheme Consideration payable to that Vocus Shareholder;
- Voyage will remit to the Commissioner of Taxation the amounts deducted from the Scheme Consideration; and
- the amount payable to the Vocus Shareholder will not be increased to reflect the deduction and the amount payable to the Vocus Shareholder will be taken to be in full and final satisfaction of the amounts owing to the Vocus Shareholder.

Generally, Vocus Shareholders who have an amount withheld under section 14-200 of Schedule 1 of the TAA should be entitled to a credit for that amount upon lodging an Australian income tax return.

Vocus Shareholders that are non-Australian tax residents should seek their own independent tax advice as to the tax implications of the Scheme, including in relation to the foreign resident capital gains withholding regime.

7.4 GST

There should be no goods and services tax (**GST**) payable by Vocus Shareholders in respect of the disposal of Vocus Shares under the Scheme.

Where a Vocus Shareholder is not registered or required to be registered for GST, the disposal will be outside the scope of the GST. Otherwise, the sale of the Vocus Shares will be an input taxed financial supply. Where this is the case, Vocus Shareholders should obtain independent advice in relation to whether there is an ability to claim any input tax credits for the costs (such as legal or professional fees) associated with the disposal of the Vocus Shares.

7.5 Stamp Duty

No stamp duty should be payable by Vocus Shareholders on the disposal of Vocus Shares in accordance with the Scheme.

Any stamp duty payable in connection with the transfer of the Vocus Shares to Voyage, must be paid by Voyage.

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Additional
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8 Additional information

8.1 Interests of Vocus Directors in Vocus Shares

The table below lists the Relevant Interests of Vocus Directors in Vocus Shares as at the date of this Scheme Booklet.

VOCUS DIRECTOR	POSITION	RELEVANT INTEREST IN VOCUS SHARES
Mr Robert (Bob) Mansfield	Non-Executive Director and Chairman	125,500 Vocus Shares
David Wiadrowski	Non-Executive Director	23,000 Vocus Shares
John Ho	Non-Executive Director	57,490,290 Vocus Shares ¹⁷
Julie Fahey	Non-Executive Director	7,510 Vocus Shares
Matthew Hanning	Non-Executive Director	500,000 Vocus Shares
Bruce Akhurst	Non-Executive Director	50,000 Vocus Shares
Kevin Russell ¹⁸	Group Managing Director and Chief Executive Officer	200,000 Vocus Shares
Mark Callander ¹⁸	Executive Director and Chief Executive, New Zealand and Wholesale	74,394 Vocus Shares

Vocus Directors who hold Vocus Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration along with the other eligible Vocus Shareholders.

Each Vocus Director intends to vote (or procure the voting of) all Vocus Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal.

8.2 Interests of Vocus Directors in Options

Set out below is a table which shows the number of Options held by two Vocus Directors, being Kevin Russell and Mark Callander. No other Vocus Directors hold any Options.

As discussed in section 8.3(e)(i), these Options are subject to Option Cancellation Deeds. The below table provides details with respect to the number of, and exercise price for, those Options, and the maximum amount to be received by each of those Vocus Directors if the Scheme becomes Effective.

VOCUS DIRECTOR	OPTIONS ON ISSUE (GRANTED DEC 2018)	EXERCISE PRICE PER OPTION	NUMBER OF OPTIONS TO BE CANCELLED UNDER RELEVANT OPTION CANCELLATION DEED	MAXIMUM AMOUNT TO BE RECEIVED UNDER RELEVANT OPTION CANCELLATION DEED ¹⁹
Kevin Russell	7,500,000	\$2.38	First tranche: 3,750,000 Second tranche: 1,875,000 Third tranche: 1,875,000	First tranche: \$11,700,000.00 Second tranche: \$5,850,000.00 Third tranche: \$5,850,000.00
Mark Callander	2,700,000	\$2.38	First tranche: 1,620,000 Second tranche: 540,000 Third tranche: 540,000	First tranche: \$5,054,400.00 Second tranche: \$1,684,800.00 Third tranche: \$1,684,800.00

17. As previously disclosed to the ASX in an Appendix 3Y, John Ho has a Relevant Interest in 57,490,290 Vocus Shares representing approximately 9.25% of Vocus Shares on issue, which shares are owned by Janchor Partners, by virtue of his interest in Janchor Partners. In addition to that approximate 9.25% shareholding, Janchor Partners has cash-settled equity derivative positions in 55,344,309 Vocus Shares representing approximately 8.91% of Vocus Shares on issue. Those cash-settled equity derivatives do not give Janchor Partners any right to vote the reference shares which are the subject of those derivatives.

18. As disclosed in section 8.2, Kevin Russell and Mark Callander hold 7,500,000 and 2,700,000 Options, respectively.

19. This value is equal to the number of Options to be cancelled on relevant tranche date multiplied by \$3.12 (being the Scheme Consideration of \$5.50 less the exercise price).

8 Additional information

8.3 Vocus Options, Legacy Options and Performance Rights

(a) Options

Vocus currently has 28,683,667 Options on issue, which were granted to Vocus Directors and employees under the Vocus Long Term Incentive Plan.

Each Option confers on the relevant holder the right to receive one Vocus Share, subject to payment of the exercise price in respect of the Option and subject to satisfaction of certain vesting conditions. There have been a number of grants of Options, with grant dates between December 2018 and July 2020, and with exercise prices ranging between \$2.38 and \$3.66 per Option. There are two vesting conditions:

- (i) **a TSR-based performance condition:** this is satisfied if the absolute Total Shareholder Return (TSR) (measured against a base of \$2.38, being the one calendar month VWAP of a Vocus Share for the month of July 2018) over the performance period ending on the day that is one month after the date of publication of the Vocus Group FY21 full year results (which is expected to be on or around 24 September 2021), exceeds the relevant TSR targets. The proportion of Options that vest in each tranche for the achievement of relevant TSR targets is set out in the table below.

TSR OVER THE PERFORMANCE PERIOD (% AGAINST TSR TARGET)	PROPORTION OF OPTIONS THAT VEST (%)
100% or greater	100%
Between 50% and 100%	Straight-line vesting between 50% and 100%
Equal to 50%	50%
Less than 50%	Nil

- (ii) **a continuation of service condition:** this requires the holder of the relevant Option to remain employed by the Vocus Group until the relevant vesting date (with a pro rata portion remaining on foot where the relevant Option holder is a good leaver).²⁰

As at the date of this Scheme Booklet, all Options on issue are 'in-the-money' (i.e. the exercise price of the Options is less than the Scheme Consideration to be received in respect of Vocus Shares if the Scheme proceeds).

(b) Performance Rights

Vocus currently has 242,550 Performance Rights on issue, which were granted to Vocus employees under the Vocus Long Term Incentive Plan.

Each Performance Right confers an automatic right (i.e. there is no exercise mechanism) to receive one Vocus Share (or a cash equivalent), subject to the holder remaining employed by the Vocus Group until one month following the announcement of Vocus' full year results for the financial year ending 30 June 2022.

In addition to the 242,550 Performance Rights on issue, which are held by six employees in Vocus' New Zealand business, Vocus has a contractual obligation to the holders of those rights to grant two additional tranches of Performance Rights, subject to satisfaction of a performance condition relating to achievement by the New Zealand business of an EBITDA target set (or to be set) by the Board for the performance year relating to the relevant tranche. As discussed in 8.3(g)(ii) below, these contractual entitlements are to be cancelled on implementation of the Scheme, in return for certain payments to the relevant employees.

(c) Legacy Options

Vocus currently has 135,418 Legacy Options on issue, which were granted under Vocus' Options and Performance Shares Plan. Each Legacy Option confers on the holder the right to receive one Vocus Share at an exercise price of \$5.20. These Legacy Options have vested.

20. The Options vest in three tranches, with the relevant vesting dates expected to be on or around: (1) in respect of the first tranche (being 50% of the Options granted), 24 September 2021; (2) in respect of the second tranche (being 25% of the Options granted), 26 August 2022; and (3) in respect of the third tranche (being 25% of the Options granted), 25 August 2023.

(d) Options held by Vocus Directors and other key management personnel

Of the 28,683,667 Options on issue, 19,400,000 of those Options are held by certain Vocus Directors and other key management personnel of Vocus. The table below lists the number of Options held by each of those Vocus Directors and other key management personnel as at the date of this Scheme Booklet.

HOLDER	CURRENT POSITION	NUMBER OF OPTIONS
Kevin Russell	Group Managing Director and Chief Executive Officer	7,500,000
Mark Callander	Executive Director and Chief Executive, New Zealand and Wholesale	2,700,000
Antony De Jong	Chief Executive, Retail	2,400,000
Andrew Wildblood	Chief Executive, Enterprise and Government	2,700,000
Ellie Sweeney	Chief Operating Officer	2,700,000
Nitesh Naidoo	Group Chief Financial Officer	1,400,000
Total number of Options		19,400,000

(e) Intended treatment of Options in connection with the Scheme**(i) Option Cancellation Deeds**

Vocus has entered into an option cancellation deed with 26 Option holders (the **Option Cancellation Deeds**), including two Vocus Directors (being Kevin Russell and Mark Callander), in relation to 27,566,667 Options. Under the Option Cancellation Deeds, the Option holders agree to have their Options cancelled in return for a cash amount equal to the intrinsic value of the Option (being the Scheme Consideration per share less the exercise price per Option) in the following tranches, subject to the Scheme becoming Effective:

- (A) with effect on the Implementation Date, the first tranche of Options²¹ will be cancelled;
- (B) with effect on the first anniversary of the Implementation Date, the second tranche of Options²² will be cancelled; and
- (C) with effect on the second anniversary of the Implementation Date, the third tranche of Options²³ will be cancelled.

A continuation of service condition applies under the Option Cancellation Deeds, which requires the holder of the relevant Options to remain employed by the Vocus Group until the due date for cancellation of any tranche (except in the case of a 'good leaver', where the cash payment (equal to the intrinsic value of the remaining Options held by the holder) will be paid to the holder in consideration for the cancellation of their remaining Options within 20 business days after the date the holder becomes a 'good leaver').

Vocus has applied for, and ASX has granted, a waiver from ASX Listing Rule 6.23.2 to enable Vocus to cancel these 27,566,667 Options for the above consideration.

21. The first tranche consists of (1) in relation to Kevin Russell, 50% of the Options held by him; and (2) in relation to the other Option holders, between 60% and 80% of the Options held by them.

22. The second tranche consists of (1) in relation to Kevin Russell, 25% of the Options held by him; and (2) in relation to the other Option holders, between 20% and 10% of the Options held by them.

23. The third tranche consists of the balance of Options held by the relevant Option holder, being (1) in relation to Kevin Russell, 25% of the Options held by him; and (2) in relation to all the other Option holders, between 20% and 10% of the Options held by them.

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(ii) Accelerated vesting of Options

Other than in respect of the 27,566,667 Options to be cancelled as described in section 8.3(e)(i), the Vocus Board has, under the terms of the Vocus Long Term Incentive Plan rules, determined that, if the Scheme becomes Effective, all of the remaining 1,117,000 Options will vest (i.e., any vesting conditions which remain to be satisfied on those Options will be waived), so that those 1,117,000 Options will become immediately exercisable by the holders of those Options. If any such Option holder exercises their Options prior to the second Business Day after the date the Scheme becomes Effective, the holder will be issued Vocus Shares prior to the Scheme Record Date and will, assuming they still hold those Vocus Shares on the Scheme Record Date, receive the Scheme Consideration in respect of those Vocus Shares on implementation of the Scheme.²⁴ Any of the 1,117,000 Options not validly exercised by the second Business Day after the date the Scheme becomes Effective will lapse.

(f) Intended treatment of Legacy Options in connection with the Scheme

Vocus has entered into an option cancellation deed with respect to the 135,418 Legacy Options (the **Legacy Option Cancellation Deed**). Subject to the Scheme becoming Effective, all of the Legacy Options will be cancelled and, as consideration, Vocus will provide the holder of the Legacy Options with an amount per Option equal to the intrinsic value of the Option, being the Scheme Consideration per share less the exercise price per Option.

Vocus has applied for, and ASX has granted, a waiver from ASX Listing Rule 6.23.2 to enable Vocus to cancel all of the 135,418 Legacy Options for the above consideration.

(g) Intended treatment of Performance Rights in connection with the Scheme

(i) Accelerated vesting of Performance Rights

Under the terms of the Vocus Long Term Incentive Plan rules, the Vocus Board has determined that, if the Scheme becomes Effective, the 242,550 Performance Rights which remain outstanding at that time will vest (i.e., any vesting conditions which remain to be satisfied on those Performance Rights will be waived). As the Performance Rights provide for automatic exercise, the holder will be issued Vocus Shares prior to the Scheme Record Date and will, assuming they still hold those Vocus Shares on the Scheme Record Date, receive the Scheme Consideration in respect of those Vocus Shares on implementation of the Scheme.

(ii) Additional tranches of Performance Rights

In respect of the two additional tranches of Performance Rights which Vocus is contractually obliged to grant, Vocus has entered into cancellation letters with the Performance Rights holders (the **Future NZ Grant Cancellation Letters**). Under the Future NZ Grant Cancellation Letters, the Performance Rights holders agree to the cancellation of any right to receive the two additional tranches of Performance Rights in exchange for cash consideration.

The maximum amount payable to the Performance Rights holders in relation to the cancellation of their right to receive the two additional tranches of Performance Rights is NZ\$900,000.

8.4 Marketable securities in Voyage held by, or on behalf of, Vocus Directors

No marketable securities of Voyage are held by, or on behalf of, Vocus Directors as at the date of this Scheme Booklet.

8.5 Interests of Vocus Directors in contracts of Voyage

No Vocus Director has an interest in any contract entered into by Voyage.

8.6 Other interests of Vocus Directors

Other than as noted in this section 8, no Vocus Director has any other interest, whether as a director, member or creditor of Voyage or otherwise, which is material to the Scheme, other than in their capacity as a holder of:

- (a) Vocus Shares, being their entitlement to receive the Scheme Consideration for the Vocus Shares they hold; or
- (b) Options, being their entitlement to receive the Scheme Consideration minus the exercise price for the Options they hold. Further information regarding the proposed treatment of Options is set out in sections 8.2 and 8.3(e)(i).

24. Vocus Board resolutions have been passed to allow for 'cashless exercise', so that instead of the Option holder paying the exercise price of their Options, the total number of Vocus Shares which the Option holder would otherwise receive on exercise will be reduced by that number of Vocus Shares which is equal to the aggregate exercise price on their Options divided by \$5.50. Vocus has applied for, and ASX has granted, a waiver from ASX Listing Rule 6.23.4 to permit this change.

8.7 Agreements or arrangements with Vocus Directors

Other than as set out in section 8.3(e)(i) in respect of Options held by Kevin Russell and Mark Callander (each a Vocus Director), there is no agreement or arrangement made between any Vocus Director and any other person, including a member of the Voyage Group, in connection with or conditional upon the outcome of the Scheme.

8.8 Payments and other benefits to directors, secretaries or executive officers of Vocus

No payment or other benefit is proposed to be made or given to a director, secretary or executive officer of Vocus or any member of the Vocus Group as compensation for loss of, or as consideration for or in connection with their retirement from, office in Vocus or any member of Vocus Group as a result of the Scheme.

8.9 Suspension of trading of Vocus Shares

If the Court approves the Scheme, Vocus will notify the ASX. It is expected that suspension of trading on the ASX in Vocus Shares will occur from close of trading on the Effective Date. This is expected to occur on Friday 25 June 2021.

8.10 Deed Poll

Voyage has executed the Deed Poll pursuant to which it has undertaken in favour of each Scheme Shareholder that it will observe and perform the obligations contemplated of it under the Scheme, including to pay or procure payment of the Scheme Consideration for each Scheme Share, in accordance with the terms of the Scheme and the Deed Poll, and subject to the Scheme becoming Effective.

A copy of the Deed Poll is contained in Annexure C.

8.11 Warranties by Scheme Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to Voyage, and to the extent enforceable, to have appointed and authorised Vocus as that Scheme Shareholder's agent and attorney to warrant to Voyage, that all of their Scheme Shares (including all rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Voyage pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, and restrictions on transfer of any kind, and that they have full power and capacity to sell and transfer their Scheme Shares (together with all rights and entitlements attaching to such Scheme Shares) to Voyage pursuant to the Scheme. Vocus undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Voyage on behalf of that Scheme Shareholder.

8.12 Summary of Scheme Implementation Deed

On 8 March 2021, Vocus and Voyage entered into a binding Scheme Implementation Deed under which Vocus agreed to propose and implement the Scheme and Voyage agreed to assist Vocus to propose and implement the Scheme.

A summary of the key elements of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was lodged with the ASX on 9 March 2021 and can be obtained from www.asx.com.au or from Vocus' Website.

(a) Conditions

Implementation of the Scheme is subject to satisfaction or waiver (where capable of waiver) of the following conditions:

(i) **FIRB Approval:** before 8.00am on the Second Court Date, either:

(A) the Treasurer of the Commonwealth of Australia (**Treasurer**) (or his or her delegate) provides written notice under the FATA, advising that the Commonwealth Government has no objections to the Transaction either:

(1) unconditionally; or

(2) subject only to 'standard' tax conditions which are in the form, or substantially in the form, of those set out in items 1 to 6 of Part D of the Australian Foreign Investment Review Board's Guidance Note 12 'Tax Conditions' (in the form last updated on 18 December 2020), and such other conditions acceptable to Voyage (acting reasonably),

and the notice of no objection has not been withdrawn, suspended or revoked before 8.00am on the Second Court Date; or

(B) following Voyage giving notice under the FATA of the Transaction, the Treasurer becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the Transaction;

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- (ii) **OIO approval:** before 8.00am on the Second Court Date, Voyage has received all consents required under the *Overseas Investment Act 2005* (NZ) and the *Overseas Investment Regulations 2005* (NZ) for the implementation of the Scheme either:
- (A) unconditionally; or
 - (B) subject only to conditions imposed by the OIO that are substantially the same as the conditions of a kind commonly imposed by the OIO on such a consent and referred to as the 'Standard Conditions' or conditions that reflect undertakings specified in Voyage's OIO application and such other conditions acceptable to Voyage (acting reasonably),
- and such consents have not been withdrawn, suspended or revoked before 8.00am on the Second Court Date;
- (iii) **Vocus Shareholder Approval:** Vocus Shareholders approve the Scheme;
- (iv) **Independent Expert:** the Independent Expert issues an Independent Expert's Report which concludes that the Scheme is in the best interests of Vocus Shareholders and does not publicly change or withdraw that conclusion before 8.00am on the Second Court Date;
- (v) **Court Approval:** the Court approves the Scheme;
- (vi) **No Restraints:** no applicable law, regulation or rule shall have been enacted and no Order shall be in effect as at 8.00am on the Second Court Date (or the intended date for the Second Court Date, but for such law, regulation, rule or Order) that prevents, makes illegal or prohibits the implementation of the Scheme;
- (vii) **No Vocus Material Adverse Change:** no Vocus Material Adverse Change occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- (viii) **No Vocus Prescribed Occurrence:** no Vocus Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- (ix) **Options, Legacy Options and Performance Rights:** before 8.00am on the Second Court Date, arrangements acceptable to Voyage have been put in place such that no Options, Legacy Options or Performance Rights (or any other securities in Vocus other than Vocus Shares) are in existence on the Scheme Record Date;
- (x) **Singapore Infocomm:** Vocus has received all necessary confirmations or approvals from Singapore Infocomm for the change in control of the Facilities Based Operator Licence held within the Vocus Group, either unconditionally or on conditions that Voyage reasonably considers to be acceptable and such confirmation or approvals have not been withdrawn, suspended or revoked before 8.00am on the Second Court Date; and
- (xi) **Specified Contracts:** the relevant counterparties have provided their consent, approval, waiver or confirmation as required under the relevant Specified Contracts having regard to the terms of the Transaction, in a form and subject to conditions acceptable to Voyage (acting reasonably), and such consents, approvals or waivers have not been withdrawn, cancelled or revoked before 8.00am on the Second Court Date.

(b) Reasonable steps to implement the Scheme

Vocus must take all steps necessary to propose and implement, and Voyage must take all steps necessary to assist Vocus to propose and implement, the Scheme as soon as is reasonably practicable and must use reasonable endeavours to ensure that each step in the indicative timetable in the Scheme Implementation Deed is met by the date set out beside that step.

(c) Obligation to recommend the Scheme

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Vocus Shareholders (unless otherwise agreed in writing by the parties):

- (i) the Vocus Board must unanimously recommend that Vocus Shareholders vote in favour of the Scheme at the Scheme Meeting; and
- (ii) no Vocus Director may change, withdraw, modify or qualify his or her recommendation or make a statement that is inconsistent with this recommendation.

(d) Exclusivity

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of Voyage. These obligations may be summarised as follows:

- (i) **No Current Discussions:** Vocus represents and warrants that neither it nor any of its Representatives are in negotiations or discussions in connection with, or that could reasonably be expected to lead to, any Competing Proposal.
- (ii) **No Shop:** Vocus must not, and must ensure that each of its Representatives and each of its and their Associates do not, solicit, invite, encourage or initiate any Competing Proposal, or any enquiries, proposals, negotiations or discussions with any Third Party in relation to, or which may reasonably be expected to encourage or lead to, a Competing Proposal, or communicate any intention to do any of those things.
- (iii) **No Talk:** Vocus must not, and must ensure that each of its Representatives and each of its and their Associates do not, participate in negotiations or discussions, or enter into any agreement or understanding with any Third Party in relation to, or which may reasonably be expected to encourage or lead to, a Competing Proposal, or communicate any intention to do any of those things.
- (iv) **No due diligence:** Vocus must not, and must ensure that each of its Representatives and each of its and their Associates do not, disclose or otherwise make available to any Third Party, any non-public information relating to Vocus or any of its Related Bodies Corporate in connection with, or which may reasonably be expected to encourage or lead to, the formation of a Competing Proposal, or communicate any intention to do any of those things.
- (v) **Notification:** If Vocus or any of its Representatives become aware of any receipt of a Competing Proposal, approach in relation to any Competing Proposal, or provision by Vocus or its Representatives of any non-public information to any Third Party in relation to any Competing Proposal, Vocus must, as soon as reasonably practicable, notify Voyage. Such notice must include the material terms and conditions of the Competing Proposal and the identity of the Third Party making the Competing Proposal (subject to a fiduciary carve out).
- (vi) **Matching right:** Before Vocus or any of its Related Bodies Corporate enter into a legally binding agreement to give effect to a Competing Proposal and any Vocus Director changes their recommendation in favour of the Scheme to support a Competing Proposal, the following conditions must be satisfied:
 - (A) the Vocus Board must determine that the Competing Proposal constitutes a Superior Proposal;
 - (B) Vocus must notify Voyage for the purposes of Voyage's matching right, and such notice must include the material terms and conditions of the Competing Proposal and the identity of the Third Party making the Competing Proposal;
 - (C) Voyage has 5 Business Days from the date Vocus notifies Voyage for the purposes of Voyage's matching right to provide Vocus a counter proposal to the Competing Proposal (a **Counter Proposal**); and
 - (D) Voyage does not announce or provide a Counter Proposal within 5 Business Days, or provides a Counter Proposal which the Vocus Board finds does not provide a matching or superior outcome for Vocus Shareholders compared to the Competing Proposal.

If Voyage submits a Counter Proposal and the Vocus Board, acting in good faith, determines the Counter Proposal provides a matching or superior outcome for Vocus Shareholders, then Vocus and Voyage must use their best endeavours to amend the Scheme and the Deed Poll to reflect the Counter Proposal and to implement the Counter Proposal. Once agreed, Vocus must use its best endeavours to procure that each Vocus Director recommends the Counter Proposal to Vocus Shareholders.

However, Vocus is not required to comply with its obligations under the 'No Talk' and 'No Due Diligence' provisions in the Scheme Implementation Deed in relation to a genuine bona fide Competing Proposal, provided that:

- (vii) the Vocus Board determines that such Competing Proposal is, or could reasonably be expected to become, a Superior Proposal and complying with those provisions would, or would be reasonably likely to, constitute a breach of the fiduciary or statutory duties owed by the Vocus Directors;
- (viii) Vocus immediately notifies Voyage of its and its Representatives' actions or inactions in reliance on this exception to its obligations under the 'no talk' and 'no due diligence' provisions; and
- (ix) before any disclosure of non-public information to a Third Party, the Third Party has entered into a confidentiality agreement with Vocus.

8 Additional information

(e) Break Fee

(i) Vocus has agreed to pay Voyage a break fee of \$35,000,000 if:

(A) **Change in recommendation:** any Vocus Director:

- (1) fails to make a recommendation that Vocus Shareholders vote in favour of the Scheme or a public statement that they will vote all Vocus Shares held or controlled by them in favour of the Scheme at the Scheme Meeting;
- (2) withdraws or adversely changes their recommendation that Vocus Shareholders vote in favour of the Scheme at the Scheme Meeting;
- (3) makes a public statement that they will not vote (or procure the voting of) all Vocus Shares held or controlled by them in favour of the Scheme at the Scheme Meeting; or
- (4) recommends, supports or endorses a Competing Proposal (including by making a public statement to that effect),

other than where the Independent Expert concludes that the Scheme is not in the best interests of Vocus Shareholders (except where that conclusion is as a result of a Competing Proposal);

(B) **Competing Proposal announced and transaction subsequently completed:** a Competing Proposal is announced by a Third Party prior to the earlier of the termination of the Scheme Implementation Deed and the End Date and, within one year after that occurring, the Third Party or any of its Associates:

- (1) complete in all material respects a transaction of the kind referred to in clauses (a)(ii), (a)(iii) or (a)(iv) of the definition of Competing Proposal; or
- (2) have a Relevant Interest in at least 50% of Vocus Shares under an unconditional transaction or otherwise come to control Vocus or acquire substantially all of the assets of Vocus; or

(C) **Material Breach:** Voyage terminates the Scheme Implementation Deed due to a material breach by Vocus; or

(D) **Vocus Prescribed Occurrence:** Voyage terminates the Scheme Implementation Deed due to the occurrence of a Vocus Prescribed Occurrence.

However, the Break Fee is not payable if the Scheme nevertheless becomes Effective.

For full details of the Break Fee, see clause 12 of the Scheme Implementation Deed.

(f) Termination

Either Vocus or Voyage may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date by notice in writing if:

- (i) the other party is in material breach of the Scheme Implementation Deed (including any breach of a representation and warranty given by either Vocus or Voyage where such breach is material in the context of the Transaction as a whole) and the relevant circumstances continue to exist for five Business Days from the time the non-breaching party's notice of intention to terminate is given;
- (ii) in certain circumstances where there is an event or occurrence that would, or does, prevent a Condition Precedent being satisfied:

- (A) which is not waived in accordance with the Scheme Implementation Deed by the time or date specified in the Scheme Implementation Deed for the satisfaction of the relevant Condition Precedent; or
- (B) by the time and date specified in the Scheme Implementation Deed for the satisfaction of that Condition Precedent, and

after consulting in good faith, Vocus and Voyage are unable to reach an agreement to implement the Scheme by alternative means, extend the relevant time for satisfaction of the Condition Precedent, change the date of the First Court Hearing or the Second Court Hearing or extend the End Date; or

(iii) agreed in writing by Vocus and Voyage.

Voyage may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date if any Vocus Director:

- (iv) fails to make a recommendation that Vocus Shareholders vote in favour of the Scheme or a public statement that they will vote all Vocus Shares held or controlled by them in favour of the Scheme at the Scheme Meeting;
- (v) has withdrawn or adversely changed, or made a public statement that is inconsistent with, his or her recommendation that Vocus Shareholders vote in favour of the Scheme at the Scheme Meeting; or

(vi) has recommended or made a statement supporting or endorsing a Competing Proposal.

Vocus may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date if a majority of the Vocus Board withdraws its recommendation that Vocus Shareholders vote in favour of the Scheme at the Scheme Meeting on the basis that the Independent Expert opines that the Scheme is not in the best interests of Vocus Shareholders or the Vocus Board unanimously determines that a Competing Proposal constitutes a Superior Proposal (after Voyage's matching rights have been exhausted), and, if required to pay the Break Fee as a result of such withdrawal, Vocus has paid Voyage the Break Fee.

8.13 Status of FIRB, OIO and Singapore Infocomm approvals

As at the date of this Scheme Booklet:

- (a) the Treasurer of the Commonwealth of Australia has not yet provided notice that the Commonwealth Government has no objection to the Transaction under the FATA;
- (b) Voyage has not yet received all consents required under the *Overseas Investment Act 2005* (NZ) and the *Overseas Investment Regulations 2005* (NZ) for the implementation of the Scheme; and
- (c) Singapore Infocomm has not yet provided confirmation or approval for the change in control of the Facilities Based Operator Licence held within the Vocus Group.

An update on the status of the FIRB, OIO and Singapore Infocomm approvals will be provided at the Scheme Meeting.

8.14 Status of Specified Contract consents

As at the date of this Scheme Booklet, Vocus has not yet received all of the consents, approvals, waivers and confirmations required under the Specified Contracts in respect of the Transaction. An update on the status of these Specified Contract consents will be provided at the Scheme Meeting.

8.15 Status of Options, Legacy Options and Performance Rights

As at the date of this Scheme Booklet, Vocus has entered into Option Cancellation Deeds and a Legacy Option Cancellation Deed, and the Vocus Board has passed resolutions, to ensure that there will be no Options or Legacy Options in existence on the Scheme Record Date. In addition, the Vocus Board has passed resolutions and Vocus has entered into the Future NZ Grant Cancellation Letters to ensure that, subject to the Scheme becoming Effective, there will be no Performance Rights in existence on the Scheme Record Date. See section 8.3 for further detail.

8.16 Consents and disclosures

- (a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:
 - (i) Credit Suisse as financial adviser to Vocus;
 - (ii) Computershare as the manager of the Vocus Share Register; and
 - (iii) Allens as legal adviser to Vocus in relation to the Scheme.
- (b) The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Annexure A to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.
- (c) Each Voyage Group member referred to in this Scheme Booklet has given, and has not withdrawn, its consent to be named in this Scheme Booklet and Voyage has given, and has not withdrawn, its consent in relation to the inclusion of the Voyage Information in this Scheme Booklet and to the references to that information in this Scheme Booklet in the form and context in which that information is included.
- (d) Each person named in this section 8.16:
 - (i) has not authorised or caused the issue of this Scheme Booklet;
 - (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this section 8.16; and
 - (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 8.16.

8 Additional information

8.17 ASIC relief

Pursuant to rule 5.1.01(1)(b) and clause 8302(h) of Schedule 8 of the Corporations Regulations, the explanatory statement required for a Scheme must set out whether, within the knowledge of the Vocus Directors, the financial position of Vocus has materially changed since the date of the last balance sheet laid before the company in general meeting or sent to shareholders in accordance with sections 314 or 317 of the Corporations Act, as well as the full particulars of the changes.

ASIC has granted Vocus relief from this requirement so that this Scheme Booklet only need set out, within the knowledge of the Vocus Directors, that the financial position of Vocus has not materially changed since 31 December 2020 (being the last date of the period to which the financial statements for the half year ended 31 December 2020 relate). Vocus will provide a copy of the financial statements for the half year ended 31 December 2020 free of charge to any Vocus Shareholder who requests a copy.

8.18 No unacceptable circumstances

Vocus believes that the Scheme does not involve any circumstances in relation to the affairs of Vocus that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

8.19 No other information material to the making of a decision in relation to the Scheme

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Annexures to this Scheme Booklet, there is no other information that is material to the making of a decision by a Vocus Shareholder whether or not to vote in favour of the Scheme Resolution to approve the Scheme, being information that is known to any Vocus Director and which has not previously been disclosed to Vocus Shareholders.

8.20 Supplementary information

If Vocus becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Court Approval Date:

- a material statement in this Scheme Booklet is false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Vocus may circulate and publish any supplementary document by:

- making an announcement to the ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Vocus Shareholders at their registered address as shown in the Vocus Share Register; or
- posting a statement on Vocus' Website,

as Vocus in its absolute discretion considers appropriate.

8.21 Transaction costs

Vocus will incur external transaction costs in connection with the Scheme. Certain of these costs are conditional on the Scheme proceeding, and if the Scheme is implemented, these will effectively be borne by Voyage who will have acquired Vocus from implementation. If the Scheme is implemented, Vocus expects to pay an aggregate of approximately \$25 million in external transaction costs in connection with the Scheme. If the Scheme is not implemented, Vocus expects that external transaction costs will be approximately \$6 million. These transaction costs are primarily payable to Vocus' financial, legal, tax and accounting advisors, the Independent Expert and Vocus' Share Registry.

These transaction costs do not include any Break Fee that may be payable by Vocus (see section 8.12(e) for information on the circumstances in which a Break Fee may be payable by Vocus).

For personal use only

9

Glossary and
interpretation

9 Glossary and Interpretation

9.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below:

TERM	MEANING
Adviser	in relation to an entity, a professional adviser engaged (directly or indirectly) by the entity for the purposes of the Transaction (including a broker or insurer engaged to provide warranty or indemnity insurance).
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12(2)(b) and (c) of the Corporations Act, where for the purposes of section 12, the 'designated body' is Vocus or Voyage (as applicable).
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
ASX Listing Rules	the official listing rules of the ASX.
Aware Super	Aware Super Pty Ltd (ACN 118 202 672) as trustee of Aware Super, an Australian industry superannuation fund, of Level 28, 388 George Street, Sydney NSW 2000.
Break Fee	\$35,000,000
Business Day	any day that is each of the following: (a) a Business Day within the meaning given in the ASX Listing Rules; and (b) a day that banks are open for business in Sydney, Australia.
Cash and cash equivalents	includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TERM	MEANING
Competing Proposal	<p>any expression of interest, proposal, offer, transaction, agreement or arrangement (whether existing before, on or after the date of the Scheme Implementation Deed) pursuant to which, if the expression of interest, proposal, offer, transaction, agreement or arrangement is entered into or completed substantially in accordance with its terms:</p> <p>(a) a Third Party will (either alone or together with any Associate), directly or indirectly:</p> <ul style="list-style-type: none"> (i) acquire a relevant interest in, or acquire or obtain a right to acquire a legal, beneficial, economic or voting interest in (including by way of equity swap, contract for difference or similar transaction or arrangement), or control of, 15% or more of Vocus Shares; (ii) acquire, obtain a right to acquire, or otherwise obtain a legal, beneficial or economic interest in all or a substantial part of the assets or business of Vocus or Vocus Group (taken as a whole); (iii) otherwise acquire control (within the meaning of section 50AA of the Corporations Act, but disregarding subsection 50AA(4) of the Corporations Act) of Vocus or any of its Related Bodies Corporate; or (iv) otherwise acquire, being stapled to, or merge with, Vocus; or <p>(b) a party would be required to abandon or otherwise fail to proceed with the Transaction, or otherwise having the result that a Transaction is not reasonably able to be implemented, by whatever means,</p> <p>whether by way of takeover offer or bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.</p>
Computershare	Computershare Investor Services Pty Limited (ACN 078 279 277).
Conditions Precedent	each of the conditions set out in clause 3.1 of the Scheme Implementation Deed.
Consortium	the consortium comprising MIRA Acquisition Co and Aware Super and Consortium Member means any or each of such persons.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth), as modified or varied by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.
Court	the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing between Vocus and Voyage.
Court Approval Date	the date when the Court grants its approval to the Scheme under section 411(4) of the Corporations Act.
Deloitte	Deloitte Corporate Finance Pty Limited (ACN 003 833 127).
Disclosure Letter	the letter identified as such provided by Vocus to Voyage and countersigned by or on behalf of Voyage on or prior to the date of the Scheme Implementation Deed and any document identified in that letter as having been disclosed to Voyage subject to such document having been Fairly Disclosed in the Due Diligence Material on or prior to the date of that letter.

9 Glossary and interpretation

TERM	MEANING
Due Diligence Material	the information disclosed by or on behalf of the Vocus Group (including in response to requests for information) to a Voyage Party contained in the electronic data room as at 11:59pm on 5 March 2021, as included on one or more USBs delivered to Voyage on or around the date of the Scheme Implementation Deed.
EBITDA	statutory reported earnings before interest, tax, depreciation and amortisation based on the same methodology as in the Vocus Group's full-year financial report for 30 June 2020 and half-year financial report for 31 December 2020.
Effective	the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	the date on which the Scheme becomes Effective.
End Date	the date that is 9 months after the date of the Scheme Implementation Deed, which is 8 December 2021, or such other date as may be agreed in writing between Vocus and Voyage.
Fairly Disclosed	a reference to 'Fairly Disclosed' in relation to a matter is to such matter being disclosed in sufficient detail to enable a reasonable person experienced in the industries in which the Vocus Group operates or transactions similar to the Transaction to identify the nature and scope of the relevant matter.
FATA	the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
FIRB	the Australian Foreign Investment Review Board.
First Court Date	the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meeting be convened is heard or, if the application is adjourned for any reason, the day on which the adjourned application is heard.
Future NZ Grant Cancellation Letters	has the meaning given in section 8.3(g)(ii).
FY19	the financial year ending 30 June 2019.
FY20	the financial year ending 30 June 2020.
FY21	the financial year ending 30 June 2021.
Government Agency	any Australian or foreign government or governmental, semi-governmental or judicial entity or authority. It also includes any government minister (and his or her delegate), any self-regulatory organisation established under statute or any securities exchange and, for the avoidance of doubt, includes ASIC, ASX, FIRB and equivalent bodies in jurisdictions outside Australia.
H1FY21	the half year ending 31 December 2020.
Identified Contract	a contract included on the list of contracts agreed in writing by Voyage and Vocus for the purposes of this definition.
Implementation Date	the fourteenth Business Day after the Scheme Record Date or such other date agreed to in writing between Voyage and Vocus.

TERM	MEANING
Independent Expert	Deloitte, the independent expert engaged by Vocus.
Independent Expert's Report	a report (including any written updates to such report) of the Independent Expert stating whether or not in its opinion the Scheme is in the best interests of Vocus Shareholders.
Janchor Partners	Janchor Partners Pan-Asian Master Fund and Janchor Partners Opportunities Master Fund.
Last Practicable Trading Date	Friday 14 May 2021, being the last practicable trading date before the date of this Scheme Booklet.
Legacy Option Cancellation Deed	has the meaning given in section 8.3(f).
Legacy Options	135,418 options to acquire Vocus Shares, granted by Vocus on 22 February 2016 under the Vocus Options and Performance Shares Plan.
Macquarie Group	Macquarie Group Limited (ACN 122 169 279) of level 6, 50 Martin Place, Sydney, New South Wales, 2000.
MAIF3	MAIF3 Investments Australia 2 Pte. Ltd.
MAIF3 Fund	Macquarie Asia-Pacific Infrastructure Management 3 Pte. Ltd, as the general partner of the Macquarie Asia-Pacific Infrastructure Fund 3 LP (a limited partnership registered in Singapore) and MAIF3 Luxembourg GP S. a. r. l, as the general partner of Macquarie Asia-Pacific Infrastructure Fund 3 SCSp.
MIGS1	MIRA Infrastructure Global Solutions GP LLC, as the general partner of MIRA Infrastructure Global Solution, L.P (a limited partnership formed in Delaware, United States of America) (or its nominated affiliates).
MIGS2	MIRA Infrastructure Global Solution II GP LLC, as the general partner of MIRA Infrastructure Global Solution II, L.P (a limited partnership formed in Delaware, United States of America) and MIGS II (ECI) GP, LLC, as the general partner of MIGS II IDF PV, L.P. (a limited partnership formed in Delaware, United States of America) (or its nominated affiliates).
MIRA	the asset management division of Macquarie Group that is primarily involved in the management of infrastructure and real assets, which business group is currently operating under the name 'Macquarie Infrastructure and Real Assets', as may be amended from time to time (and, in section 5.5(a) of this Scheme Booklet, MIRA means the entities that are part of MIRA).
MIRA Acquisition Co	Voyage MAIF3 Consortium Pty Limited (ACN 648 281 047) as trustee of Voyage MAIF3 Consortium Trust.
MIRA Funds	the MAIF3 Fund, MIGS1 and MIGS2.
MIRA Holdings	Macquarie Infrastructure and Real Assets Holdings Pty Limited (ACN 082 018 399).
MIRA's non-binding indicative proposal	the non-binding indicative proposal from Macquarie Infrastructure and Real Assets and its managed funds dated 8 February 2021.
NBN	National Broadband Network.

9 Glossary and interpretation

TERM	MEANING
NBN Co	NBN Co Limited (ACN 136 533 741).
OIO	the New Zealand Overseas Investment Office.
Option	has the meaning given in, and as described in, section 8.3(a), but for the avoidance of doubt, does not include any Legacy Options.
Option Cancellation Deed	has the meaning given in section 8.3(e)(i).
Order	any decree, judgment, injunction, direction, writ or other order, whether temporary, preliminary or permanent, made or given by an Australian court of competent jurisdiction or by another Australian government agency.
Performance Right	a performance right granted by Vocus under the Vocus Long Term Incentive Plan, which entitles the holder to receive a Vocus Share in certain circumstances.
Proxy Form	the proxy form which accompanies this Scheme Booklet.
Related Bodies Corporate	<p>(a) in relation to Voyage:</p> <ul style="list-style-type: none"> (i) any entity that is a wholly-owned Subsidiary of Macquarie Group that is within MIRA, or any fund, limited partnership or other investment vehicle that is used to pool the resources of multiple underlying investors and that is managed on a discretionary basis by a wholly-owned Subsidiary of Macquarie Group that is within MIRA; and (ii) any entity that is a 'related body corporate' of Aware Super (as defined in section 50 of the Corporations Act); or <p>(b) in relation to Vocus, a 'related body corporate' of Vocus (as defined in section 50 of the Corporations Act) or any other entity, fund, partnership or collective investment vehicle over which Vocus (or a related body corporate of that party as defined in section 50 of the Corporations Act) exercises control within the meaning of section 50AA of the Corporations Act (but read as though section 50AA(4) were omitted) or that is managed or advised by any of them.</p>
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	<p>in relation to Voyage or Vocus:</p> <ul style="list-style-type: none"> • a Related Body Corporate of that party; • an Adviser of that party or any of their Related Bodies Corporate; or • a director, officer or employee of that party, or of an Adviser or Related Body Corporate of that party.
Requisite Majority	<p>in relation to the Scheme Resolution to be put to the Scheme Meeting:</p> <ul style="list-style-type: none"> (a) a majority in number (more than 50%) of eligible Vocus Shareholders present and voting at the Scheme Meeting (whether in person or by duly appointed proxy, attorney or corporate representative) (unless the Court orders otherwise); and (b) at least 75% of the total number of votes cast on the Scheme Resolution by eligible Vocus Shareholders, <p>and Requisite Majorities means the requisite voting majorities set out in paragraphs (a) and (b) above.</p>

TERM	MEANING
Scheme or Scheme of Arrangement	the scheme of arrangement under Part 5.1 of the Corporations Act between Vocus and the Scheme Shareholders in the form of Annexure A (or such other form agreed to in writing between Vocus and Voyage).
Scheme Booklet	this document.
Scheme Consideration	\$5.50 per Scheme Share held by that Scheme Shareholder, paid by Voyage on implementation of the Scheme in return for the transfer of their Scheme Shares to Voyage under the Scheme.
Scheme Implementation Deed	the Scheme Implementation Deed between Vocus and Voyage dated 8 March 2021. A summary is set out in section 8.12, and a full copy can be obtained from Vocus' Website.
Scheme Meeting	the meeting of Vocus Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act. The Scheme Meeting will be held virtually through an online platform, details of which are set out in the Notice of Meeting in Annexure D.
Scheme Meeting Record Date	10.00am (Sydney time) on Sunday 20 June 2021.
Scheme Record Date	7.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between Vocus and Voyage.
Scheme Resolution	a resolution of eligible Vocus Shareholders to approve the Scheme, the form of which is set out in the Notice of Meeting in Annexure D of the Scheme Booklet.
Scheme Shareholder	a person registered in the Vocus Share Register as the holder of one or more Scheme Shares at the Scheme Record Date.
Scheme Shares	the Vocus Shares on issue as at the Scheme Record Date.
Second Court Hearing or Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the day on which the adjourned application is heard.
Singapore Infocomm	the Infocomm Media Development Authority of Singapore.
Specified Contract	a contract included on the list of contracts agreed in writing by Voyage and Vocus for the purposes of this definition.
Subsidiary	has the meaning given in Part 1.2, Division 6 of the Corporations Act.

9 Glossary and interpretation

TERM	MEANING
Superior Proposal	<p>a bona fide written Competing Proposal received by Vocus (and not received as a result of a breach by Vocus of its obligations under clause 11 of the Scheme Implementation Deed) that the Vocus Board determines, acting in good faith and in order to satisfy what the Vocus Board considers to be the Vocus Directors' statutory or fiduciary duties, and after having obtained written advice from Vocus' external legal and financial advisers:</p> <p>(a) is reasonably capable of being valued and reasonably capable of being completed in accordance with its terms; and</p> <p>(b) would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to Vocus Shareholders than the Transaction (as the Transaction may be amended or varied following application of the matching right set out in clause 11.5 of the Scheme Implementation Deed),</p> <p>taking into account all aspects (including all of the terms and conditions) of the Competing Proposal (including any respective requirement for all or part of the acquisition consideration payable to Vocus Shareholders being other than cash, and, if so, the respective nature, attributes and liquidity of such non-cash consideration and the risks associated with such non-cash consideration; the identity, reputation and financial condition and funding of the person making such Competing Proposal as compared to Voyage; and their respective shareholder approval requirements).</p>
Third Party	a person other than any member of the Voyage Group.
Transaction	the acquisition of the Scheme Shares by Voyage through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed.
TSR	total shareholder return.
Vocus	Vocus Group Limited (ACN 084 115 499).
Vocus Board	the board of directors of Vocus.
Vocus Director	a member of the Vocus Board.
Vocus Group	Vocus and each of its Subsidiaries. A reference to a member of the Vocus Group is a reference to Vocus or any such Subsidiary.
Vocus Information	the information contained in this Scheme Booklet, other than the Voyage Information and the Independent Expert's Report (excluding the information provided by Vocus to the Independent Expert).

TERM	MEANING
Vocus Material Adverse Change	<p>any event, circumstance, occurrence or matter which has resulted in, or is reasonably likely to result in, either individually or when aggregated with all such events, circumstances, occurrences or matters:</p> <ul style="list-style-type: none"> (a) a diminution in the net assets of the Vocus Group by an amount equal to \$125,000,000 or more, as compared to what the net assets of the Vocus Group could reasonably be expected to have been but for the relevant events, circumstances, occurrences or matters; or (b) the consolidated annual EBITDA of the Vocus Group being reduced (either as a result of the loss of an Identified Contract or otherwise on a recurring basis) by an amount more than \$35,000,000 (calculated after taking into account any event, occurrence or matter which (i) occurs after the date of the Scheme Implementation Deed but prior to 8.00am on the Second Court Date, and (ii) has a recurring positive effect on consolidated annual EBITDA, and (iii) was not anticipated or budgeted for in Vocus' forecast for the period after the date of the Scheme Implementation Deed and (iv) is the result of actions undertaken by the Vocus Group in good faith and in the ordinary course of business (and, for the avoidance of doubt, not for the sole or predominant purpose of off-settling (in whole or in part) the impact of any other event that may cause or contribute to a Vocus Material Adverse Change), in either the financial year ending 30 June 2021 and/or 30 June 2022 (and for this purpose, the full financial year effect of any resulting EBITDA reduction must be applied in the relevant periods) as compared to what the consolidated annual EBITDA of the Vocus Group could reasonably be expected to have been but for the relevant events, circumstances, occurrences or matters), in each case other than an event, occurrence or matter: (c) required or expressly permitted by the Scheme Implementation Deed or the Scheme; (d) which Voyage has previously approved or requested in writing; (e) Fairly Disclosed in the Due Diligence Material or the Disclosure Letter; (f) Fairly Disclosed to the ASX within 3 years prior to the date of the Scheme Implementation Deed or Fairly Disclosed in a document lodged with ASIC that is publicly available by or on behalf of Vocus within 12 months prior to the date of the Scheme Implementation Deed; (g) that is (including its impact) within the actual knowledge of Voyage as at the date of the Scheme Implementation Deed (which does not include mere knowledge of the risk of an event, circumstance, occurrence or matter happening); (h) arising from any change in any law, or rule or regulation of any Government Agency, or any change in generally accepted accounting standards, after the date of the Scheme Implementation Deed; (i) arising from general economic, business or financial market conditions or changes in those conditions that impact Australian businesses generally; (j) arising from an act of terrorism, war (whether or not declared), natural disaster or the like after the date of the Scheme Implementation Deed; (k) arising from the COVID-19 virus (or any mutation, variation or derivative), or from any law, order, rule or direction of any Government Agency in relation thereto; (l) relating to third party costs and expenses incurred by Vocus associated with the Transaction, including any fees payable to external Advisers of Vocus, to the extent such amounts or comparable estimates of such amounts are Fairly Disclosed in the Due Diligence Material or Disclosure Letter; or (m) which would, unless waived by Voyage, result in the Condition Precedent in clause 3.1(k) of the Scheme Implementation Deed not being satisfied.

TERM	MEANING
Vocus Prescribed Occurrence	<p>any of the following occurrences:</p> <ol style="list-style-type: none"> 1 Vocus converts all or any of its shares into a larger or smaller number of shares. 2 Any Vocus Group entity resolves to reduce its share capital in any way. 3 Any Vocus Group entity: <ol style="list-style-type: none"> (a) enters into a buy-back agreement; or (b) resolves to approve the terms of a buy-back agreement under the Corporations Act. 4 Any member of the Vocus Group issues shares or other securities to a person, or grants an option over or a right to receive its shares or other securities, or agrees to make such an issue or grant such an option or right, other than: <ol style="list-style-type: none"> (a) where the shares or other securities are issued, or where the options are granted, to Vocus or an entity which is a wholly-owned Subsidiary of Vocus, provided that Vocus itself is not the issuing entity; (b) the issue of Vocus Shares upon the exercise or vesting of Options or Performance Rights which are on issue as at the date of the Scheme Implementation Deed and in accordance with clause 3.1(i) of the Scheme Implementation Deed. 5 Any member of the Vocus Group issues, or agrees to issue, convertible notes or any other instrument or security convertible into shares or securities in or of any member of the Vocus Group. 6 Any Vocus Group entity disposes, or agrees to dispose, of the whole or a substantial part of the business or property of the Vocus Group (whether by way of single transaction or series of related transaction). 7 Any Vocus Group entity grants, or agrees to grant, a security interest in or over the whole or a substantial part of the business or property of the Vocus Group. 8 Any member of the Vocus Group agrees to pay, declares, determines, pays or makes, or incurs a liability to pay or make, a dividend or any other form of distribution of profits or capital (whether in cash or in specie). 9 Any member of the Vocus Group resolves to be wound up. 10 A liquidator or provisional liquidator of any member of the Vocus Group is appointed. 11 A court makes an order for the winding up of any member of the Vocus Group. 12 An administrator of any member of the Vocus Group is appointed under section 436A, 436B or 436C of the Corporations Act. 13 Any member of the Vocus Group executes a deed of company arrangement. 14 A receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any member of the Vocus Group. 15 Any Vocus Group Member ceasing, or threatening to cease, the whole or a material part of its business. 16 Vocus Shares cease to be quoted, or are suspended from quotation, on ASX. <p>Other than an occurrence:</p> <ol style="list-style-type: none"> (a) required or expressly permitted by the Scheme Implementation Deed or the Scheme; (b) Fairly Disclosed in the Due Diligence Material or the Disclosure Letter; (c) Fairly Disclosed to ASX within three years prior to the date of the Scheme Implementation Deed or Fairly Disclosed in a document lodged with ASIC that is publicly available by or on behalf of Vocus within 12 months prior to the date of the Scheme Implementation Deed; or (d) with the written consent of Voyage.

TERM	MEANING
Vocus Share or Share	a fully paid ordinary share in the capital of Vocus.
Vocus Shareholder or Shareholder	each person who is registered as the holder of a Vocus Share in the Vocus Share Register.
Vocus Share Price	the price of Vocus Shares as quoted on the ASX.
Vocus Share Register	the register of the members of Vocus maintained in accordance with the Corporations Act.
Vocus Share Registry	Computershare Investor Services Pty Limited.
Vocus' Website	https://www.vocusgroup.com.au/investors/
Voting Power	has the meaning given in the Corporations Act.
Voyage	Voyage Australia Pty Ltd (ACN 648 332 772), being an Australian indirect wholly-owned subsidiary of the Consortium.
Voyage Group	Voyage and each of its Related Bodies Corporate (including the Consortium Members, but excluding, at any time, Vocus and its Subsidiaries to the extent that Vocus and its Subsidiaries are subsidiaries of Voyage at that time). A reference to a member of the Voyage Group is a reference to Voyage or any such Subsidiary.
Voyage Information	information contained in the answers to the questions “Who is Voyage?”, “Who is the Consortium?” and “Does Voyage currently hold any Vocus Shares?” in section 2 (<i>Frequently asked questions</i>), section 5 (<i>Information about Voyage and the Consortium</i>), subsections 7.3(b) and (c) (Foreign Resident Capital Gains Withholding Tax) in relation to Voyage's intentions, section 8.13 (<i>Status of FIRB, OIO and Singapore Infocomm approvals</i>) and in the definitions provided or approved by Voyage or any of its Advisers to Vocus in section 9.1 of this Scheme Booklet.
Voyage Party	any member of the Voyage Group or any officer, employee or Adviser of any of them.

9.2 Interpretation

In this Scheme Booklet:

- (a) words of any gender include all genders;
- (b) words importing the singular include the plural and vice versa;
- (c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (d) a reference to a section or annexure, is a reference to a section of or annexure of, this Scheme Booklet as relevant;
- (e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (f) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (g) a reference to time is a reference to Sydney, Australia time unless otherwise specified;
- (h) a reference to dollars and \$ is to Australian currency;
- (i) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- (j) the words “include”, “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

For personal use only

ANNEXURE A

Independent
Expert's Report



Vocus Group Limited

Independent expert's report and Financial Services
Guide

18 May 2021



Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) has been engaged by Vocus Group Limited (Vocus) to prepare an independent expert's report (our Report) in connection with the Proposed Scheme of arrangement between Vocus and the consortium comprising Macquarie Infrastructure and Real Assets and its managed funds (together, MIRA) and Aware Super Pty Ltd as a trustee of Aware Super (Aware Super) (the Proposed Scheme). Vocus will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration. Our contact details are in the document that accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

We are providing general financial product advice

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of circa \$340,000 exclusive of GST in relation to the preparation of our Report. This fee is not contingent on the outcome of the Proposed Scheme.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

Deloitte Corporate Finance has not performed any valuation work for Vocus over the past 24 months.

Deloitte has performed non valuation work over the past 24 months, including providing internal audit services to Vocus, however these services were unrelated to the Proposed Scheme.

What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).



The Directors
Vocus Group Limited
Level 10, 452 Flinders Street,
Melbourne, VIC 3000

18 May 2021

Dear Directors

Re: Independent expert's report

Introduction

On 9 March 2021, Vocus Group Limited (**Vocus** or the **Company**) announced that it had entered into a scheme implementation deed (the **SID**) with Voyage Australia Pty Limited (the **Bidder**), an entity owned by a consortium comprising Macquarie Infrastructure and Real Assets Holdings Pty Limited and its managed funds (together **MIRA**) and Aware Super Pty Ltd as trustee for Aware Super (**Aware Super**) (the **Consortium**), under which the Bidder has agreed to acquire 100% of the share capital of Vocus for \$5.50 cash per share (the **Scheme Consideration**) (the **Proposed Scheme**). This followed Vocus' announcement on 8 February 2021 (the **Announcement Date**) that it had received an indicative and non-binding proposal from MIRA at \$5.50 per share, and Vocus' announcement on 23 February 2021 that Aware Super had joined the Consortium.

If the Proposed Scheme is approved, holders of shares in Vocus (the **Shareholders**) will receive a cash consideration of \$5.50 per share upon completion, which is expected to occur in July 2021.

Vocus is a fibre and network solutions provider in Australia and New Zealand. Listed on the Australia Securities Exchange (the **ASX**) since July 2010, Vocus had a market capitalisation of \$2.72 billion as at 5 February 2021 (the last trading day prior to the Announcement Date) based on a last share traded price of \$4.38.

If approved, upon completion of the Proposed Scheme, Vocus would become a wholly owned subsidiary of the Consortium and would subsequently be delisted from the ASX. The board of Vocus have prepared a scheme booklet containing the detailed terms of the Proposed Scheme (the **Scheme Booklet**) and an overview of the Proposed Scheme is provided in section 1 of our report.

Purpose of the report

Section 411 of the *Corporations Act 2001* regulates schemes of arrangement between companies and their shareholders. Part 3 prescribes the information to be provided to shareholders in relation to schemes of arrangement.

Whilst an independent expert's report in respect of the Proposed Scheme is not required to meet any statutory obligations, the directors of Vocus (the **Directors**) have requested that Deloitte Corporate Finance Pty Limited (**Deloitte**) provide an independent expert's report advising whether, in our opinion, the Proposed Scheme is in the best interests of the Shareholders.

This report is to be included in the Scheme Booklet to be sent to the Shareholders and has been prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Proposed

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Scheme. Neither Deloitte, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Vocus, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

This independent expert's report has been prepared in a manner consistent with Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Cwlth) (**Part 3**) to assist the Shareholders in their consideration of the Proposed Scheme. We have prepared this report having regard to Part 3 and Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 and ASIC Regulatory Guide 112.

Section 640 of the *Corporations Act 2001* requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the shareholders of the company'. Accordingly, if an expert were to conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the shareholders of the company.

To assess whether the Proposed Scheme is in the best interests of the Shareholders, we have adopted the tests of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Definition of value

For the purpose of our opinion, we have referred to the concept of fair market value. Fair market value is defined as the amount at which the shares in the entities valued would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller, acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

Rounding

Numbers presented in tables and figures in this report may not add due to the effect of rounding.

Summary and conclusion

In our opinion the Proposed Scheme is fair and reasonable and therefore in the best interests of the Shareholders. In arriving at this opinion, we have had regard to the following factors.

The Proposed Scheme is fair

According to ASIC Regulatory Guide 111, in order to assess whether the Proposed Scheme is fair, the independent expert is required to compare the fair market value of a share in Vocus on a control basis with the fair market value of the consideration under the Proposed Scheme. The Proposed Scheme is fair if the value of the Scheme Consideration is equal to or greater than the value of a share in Vocus.

Set out in the table below is a comparison of our assessment of the fair market value of a Vocus share with the Scheme Consideration offered by the Consortium.

Table 1: Assessment of fairness

	Low (\$)	High (\$)
Fair market value of a share in Vocus (on a control basis)	4.98	5.60
Scheme Consideration	5.50	5.50

Source: Deloitte analysis



The Scheme Consideration is within the range of our estimate of the fair market value of a Vocus share. Accordingly, it is our opinion that the Proposed Scheme is fair.

Valuation of Vocus

We have estimated the fair market value of Vocus using the sum-of-the-parts approach, which aggregates the estimated fair market value of the three business segments of Vocus, being VNS, Vocus Retail and Vocus NZ (refer to section 3.2, where these business segments have been defined) less net debt.

We have estimated the fair market value of VNS, Vocus Retail and Vocus NZ using the earnings multiple method as the primary valuation methodology, selecting EBITDA as the measure of earnings. We have referred to the FY21 EBITDA of VNS, Vocus Retail and Vocus NZ after taking into account certain normalisation adjustments for the purpose of our analysis. The EBITDA multiples adopted were selected based on the multiples implied by the trading of listed companies and on mergers and acquisitions involving businesses broadly comparable to Vocus and its underlying operating segments.

Table 2: Valuation of a share in Vocus

	Unit	Low	High
VNS			
Selected FY21 EBITDA	\$'million	255	255
EBITDA multiple	times	13.0x	14.0x
Enterprise value of VNS	\$'million	3,315	3,570
Vocus Retail			
Selected FY21 EBITDA	\$'million	62	62
EBITDA multiple	times	6.0x	7.0x
Enterprise value of Vocus Retail	\$'million	372	434
Vocus NZ			
Selected FY21 EBITDA	\$'million	68	68
EBITDA multiple	times	8.5x	9.5x
Enterprise value of Vocus NZ	\$'million	578	646
Enterprise value of Vocus	\$'000	4,265	4,650
Less: net debt	\$'million	(1,166)	(1,166)
Equity value of Vocus	\$'million	3,099	3,484
Number of fully diluted shares	million	622	622
Value per share in Vocus	\$	4.98	5.60

Source: Deloitte analysis

Whilst the sector in which Vocus operates is mature, and there is an abundance of valuation metrics implied by transactions involving broadly comparable entities, the valuation of Vocus based on earnings multiples presents some challenges:

- the industry is evolving through the consolidation of large players seeking economies of scale (i.e. TPG-Vodafone in June 2020), the disaggregation of vertical chains with large incumbent players seeking a better allocation of capital and value enhancing restructuring (i.e. Telstra's recently announced restructure, Optus' potential divestment of its towers business). Such a dynamic environment presents opportunities and risks for Vocus to grow market share as well as grow in the telco-adjacent services market. The growth in earnings (a key factor to be taken into account with the selection of an earnings multiple) could accordingly follow alternative paths in the medium term, depending on the positioning of Vocus in this evolving landscape;
- the combination of infrastructure, retail and a diversified geographical presence make the combination of the business segments of Vocus unique. Whilst there are other companies which operate across similar segments, there is a limited number that combine the same business mix or operate as pure players (for instance, solely as telecommunications retailers). Accordingly, the



selection of an appropriate earnings multiple for Vocus and its operating segments relies on an interpretation of differentiating business combinations of the comparable companies and their relative impact on the appropriate multiple to apply; and

- Vocus has recently completed a three-year turnaround strategy which, amongst other things, was aimed at operating its business segments relatively independently and rationalising its high cost structure (a legacy of the numerous and diverse acquisitions pursued over the past years). The business can now focus on growth especially through an expansion of the customer base and suite of services to be provided by VNS. The timing and quantum of capital spending required to fuel this growth may differ to that of the companies identified as comparable benchmarks for the valuation of Vocus and VNS, in particular.

Given the above dynamics, to provide additional evidence of the fair market value of Vocus, we have also undertaken an indicative discounted cash flow (DCF) analysis and sensitised it across multiple scenarios (refer to section 6.3 for our cross-check analysis). The DCF scenarios developed allow us to test the reasonableness of our conclusions on value, having regard to alternative growth, margins and capex projections. Our DCF analysis supports our valuation conclusion.

The Proposed Scheme is reasonable

In accordance with ASIC Regulatory Guide 111, an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Scheme is reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Scheme.

Shareholders are receiving a 26% premium to the share price of Vocus prior to the announcement of the Proposed Scheme

The Scheme Consideration of \$5.50 per share offered to Shareholders under the Proposed Scheme represents a c. 26-31% premium to Vocus' share trading prices observed in the month prior to the Announcement Date. The premium is higher when compared to Vocus share trading prices 6 to 12 months ago; however, those share prices have been largely impacted by the COVID-19 pandemic.

Figure 1: Implied premium of the Consideration to Vocus' recent share trading price



Source: Capital IQ, Deloitte analysis

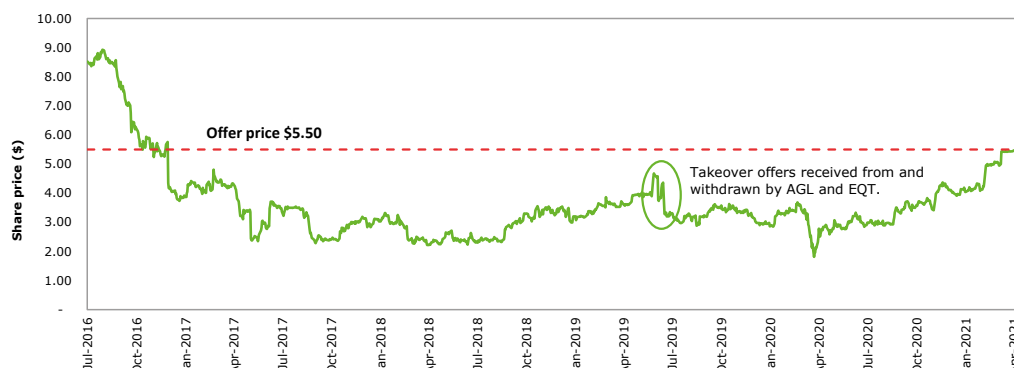
Note: VWAP – volume weighted average price.

The implied premium observed in the month prior to the Announcement Date is broadly consistent with the premium observed in takeovers in Australia, which generally range from 20-40% – this is commonly known as a “control premium”. It is important to recognise that the premiums observed in takeovers do not only measure “control”, but also the value of any synergy benefits the bidder may realise and the competitive tension around the takeover. The premiums observed could also reflect the fact that the target company's stock is illiquid, or the operations of the business could be poorly understood by the market (and hence mis-valued).

When assessing the premium offered, Shareholders should take in account the fact that Vocus shares have not traded above \$5.50 since November 2016, following a series of earnings downgrades for Vocus in 2016 and 2017 and a change of management and leadership. Subsequent to this, the Vocus share price reached a high of \$4.59 in May 2019 on the back of potential takeover offers from AGL Energy Limited (AGL) and EQT Infrastructure (EQT), although the Vocus share price declined to \$3.20 when both parties withdrew their offers.



Figure 2: Vocus historical share trading price



Source: S&P Capital IQ, Deloitte analysis

If the Proposed Scheme is rejected, shares in Vocus may trade at lower prices

It is common for the share price of a target company that is subject to a takeover offer to trade at or around the price of the takeover offer during the offer period, particularly if the market has formed the view that the takeover will likely proceed at that price. Since Vocus announced that it had entered into the SID with the Bidder (on 9 March 2021), Vocus shares have been trading within the range of \$5.42 to \$5.48, implying a maximum discount of 1% to the Scheme Consideration.

In the absence of an alternative offer and in the event that the Proposed Scheme is not successful, the Vocus share price may decline to the levels observed prior to the announcement of the Proposed Scheme in the short term (or even lower), which ranged from \$3.91 to \$4.38 in the two months prior to the Announcement Date. As noted above, this dynamic was observed following the withdrawal of the EQT and AGL takeover offers for Vocus in May 2019, when the Vocus share price decreased to levels below the pre-offer share price (refer to figure above).

If Shareholders accept the Proposed Scheme, they will not be able to participate in the possible future growth potential and options available to Vocus

Vocus is currently in a strong position to capitalise on historical and current initiatives:

- the Company has gone through a relatively successful execution of its three-year turnaround strategy (and completed it ahead of schedule) with a focus on cost rationalisation. This enables Vocus to now focus on growth opportunities by targeting higher-margin large enterprise and government accounts (particularly in the defence sector, where only Telstra and Vocus can undertake this work due to issues concerning national security), growing market share in adjacent product offerings (e.g. data centres, infrastructure as a service), and leveraging its high brand awareness in the tier 2 retail segment to drive its telco-energy bundling harder and achieve higher average revenue per user (**ARPU**) while minimizing churn;
- the telco market size is expected to remain relatively stable over the next five years, with the decline in traditional core data, internet protocol (**IP**) and voice revenues segment to be offset by high expected growth in the smaller adjacent services segment. If VNS' strategy to grow in this part of the market is successful, this may create significant value for Shareholders;
- in order to provide capital and liquidity to fuel the growth projected in VNS, Vocus has been planning to complete an initial public offering (**IPO**) for Vocus NZ. Vocus NZ has shown steady growth over the past few years, with growth for this segment reliant on its ability to grow market share (it currently holds the number 4 position in the New Zealand market). The IPO of Vocus NZ offers a compelling short-term solution to redeploy capital in Vocus NZ to generate greater returns in VNS;
- Vocus has also been exploring an opportunity to separate Vocus Retail from the core infrastructure segment (i.e. VNS). Under this scenario, Vocus could have access to additional capital and therefore drive the VNS growth described above. Vocus could also seek a re-rating of the value of the remaining business – all things equal, telco infrastructure businesses generally trade at higher EBITDA multiples than retail telco businesses. We do note, however, that the separation of Vocus



Retail would take time – there are a number of commercial agreements between Vocus Retail and VNS that would need to be dealt with;

- at the end of 2020, Telstra announced a restructure which will ultimately see it split into three business units: a) two infrastructure businesses (fixed-line and its mobile tower network), b) a retail business and c) an overseas/international business. This restructure could provide additional opportunities for Vocus, as well as risks. Each of the split Telstra businesses will be free to negotiate and use different providers of fibre and network in order to maximise their own returns – this could create opportunities for Vocus. On the other hand, each of the businesses could become more focused competition to Vocus (in an already very competitive market), which could see margins squeezed, customers lost or both.

Accordingly, should the Proposed Scheme not proceed, Vocus will still have a number of options available to enhance its value.

It is important for Shareholders to recognise that all of the opportunities and options have risks associated with them, with execution risk being key. Even if Management were to execute on their strategy for VNS (and Vocus more broadly) and/or some of the options identified above, it will take time for all these events to occur and, subsequently, be reflected in Vocus' share price.

Likelihood of a superior offer emerging

We understand from the Directors that no other third party has expressed an interest in making an offer for Vocus following the announcement of the Proposed Scheme, however it is possible that a third-party could make a higher offer for Vocus.

Vocus has been subject to takeover interest from multiple parties over the past two years. As set out above, in 2019 Vocus received non-binding offers from EQT, a Sweden-based private equity investor, and AGL Energy, a large Australian energy generator and retailer. The interest from diverse parties, both strategic (AGL Energy) and institutional (EQT), suggests that Vocus may appeal to a large set of potential buyers.

However, we note that the Consortium displays attributes which might be difficult to match by an alternative bidder:

- whilst the Consortium comprises institutional investors (MIRA and Aware Super), we note that MIRA has already made significant investments in telco infrastructure (notably, Axicom, an Australian telco tower business, and AirTrunk, a data centre provider). It is possible that synergies with these businesses can be realised although different holding structures, and co-investors may make the realisation of any such synergy difficult to crystallise. Nevertheless, MIRA is one of the most active investors in infrastructure assets globally. Furthermore, Aware Super has been recently pursuing (unsuccessfully) the acquisition of OptiComm (an Australian developer and operator of fibre networks). Other potential buyers may be deterred to undertake a review and due diligence of Vocus given the profile of the members of the Consortium; and
- MIRA and Aware Super might be able to structure the transaction and a reorganisation of the group that may favour their tax profile (and those of their underlying investors). As set out in one of the DCF scenarios analysed (Scenario 2), it is not uncommon for Australian-based investors in infrastructure assets (such as MIRA, although its funds might ultimately have offshore investors) to fully or partially value franking credits generated by the underlying businesses or acquire businesses via trust structures so as to streamline distributions to their investors.

Since the Announcement Date, Vocus shares have not traded above the Scheme Consideration which may suggest that the market considers the likelihood of a superior offer to be low.

The directors of Vocus unanimously support the Proposed Scheme

The Directors unanimously support the Proposed Scheme and have indicated their intention to vote in favour of the Proposed Scheme if no superior offer is received, subject to the independent expert concluding that the Proposed Scheme is fair and reasonable and in the best interest of the Shareholders.



Opinion

In our opinion, the Proposed Scheme is fair and reasonable to the Shareholders. It is therefore in the best interests of the Shareholders. An individual Shareholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the Shareholders should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

A handwritten signature in black ink, appearing to read "C. Bergeron".

Christophe Bergeron

Authorised Representative
AR Number: 1234192

A handwritten signature in black ink, appearing to read "M. Picciotta".

Michele Picciotta

Authorised Representative
AR Number: 462446

Glossary

Reference	Definition
\$	Australian dollars
ACCC	Australian Competition and Consumer Commission
AGL	AGL Energy Limited
Announcement Date	8 February 2021
AR	Authorised representative
ARPU	Average revenue per user
ASC	Australia Singapore cable
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Aware Super	Aware Super Pty Ltd as trustee of Aware Super
Bidder	Voyage Australia Pty Limited
β	Beta
CAGR	Compound annual growth rate
Company	Vocus Group Limited
Consideration	\$5.50 per Vocus share
Consortium	Consortium comprising MIRA and Aware Super
DCF	Discounted cash flow
Deloitte	Deloitte Corporate Finance Pty Limited
Directors	Directors of Vocus
E&G	Enterprise and Government
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGW	Enterprise, government and wholesale
EMRP	Equity Market Risk Premium
EQT	EQT Infrastructure
FSG	Financial Services Guide
FTTP/C/N	Fibre to the premises / curb / node
FY	Financial year
1H/2H	First or second half of the financial year
IP	Internet Protocol
IPO	Initial Public Offering
Legacy Options	Options issued as part of a legacy option plan established in 2010
LEO	Low earth orbit
Management	Management of Vocus
MIRA	Macquarie Infrastructure and Real Assets Holdings Pty Limited and its managed funds
MNOs	Mobile network operators
MVNOs	Mobile virtual network operators
NBN	National Broadband Network
NPAT	Net profit after tax



Reference	Definition
NTA	Net tangible assets
NZCC	New Zealand Commerce Commission
Part 3	Part 3 of Schedule 8 of the <i>Corporations Regulations 2001</i> (Cwth)
Performance Rights	All performance rights on issue
Proposal	Indicative offer to acquire 100% of the shares of Vocus
Proposed Scheme	Proposed acquisition of 100% of the share capital of Vocus by the Consortium
Scheme Booklet	Scheme booklet containing the detailed terms of the Proposed Scheme
Scheme Consideration	\$5.50 in cash per Vocus share
Share Options	Share options held by certain employees of Vocus
Shareholders	Existing holders of Vocus shares
SID	Scheme Implementation Deed
SIO	Services in Operation
SMB	Small to medium business
UFB	Ultra-Fast Broadband
Valuation Date	31 March 2021
VNS	The operating segment representing Vocus Network Services
Vocus	Vocus Group Limited
Vocus NZ	The operating segment representing Vocus New Zealand
Vocus Retail	The operating segment representing the retail arm of Vocus

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1 Overview of the Proposed Scheme

1.1 Summary

On 9 March 2021, Vocus announced that it had entered into a scheme implementation deed under which Voyage Australia Pty Limited, an entity owned by a consortium comprising MIRA and Aware Super, had agreed to acquire 100% of the share capital of Vocus for \$5.50 cash per share. Full details of the Proposed Scheme are provided in section 3 of the Scheme Booklet.

The Directors of Vocus have unanimously recommended that Vocus shareholders vote in favour of the Proposed Scheme, in the absence of a superior offer and subject to an independent expert concluding that the Proposed Scheme is in the best interests of Vocus shareholders.

1.2 Key conditions of the Proposed Scheme

The Proposed Scheme is subject to various conditions (as described in section 3.1 of the SID), the most significant being:

- approval by the Australian Foreign Investment Review Board;
- approval by the New Zealand Overseas Investment Office;
- regulatory approvals or waivers from ASIC;
- approval by Vocus shareholders by the requisite majorities, in accordance with section 411(4)(ii) of the *Corporations Act 2001* (at least 50% by number of shareholders voting and at least 75% of votes cast at the scheme meeting must approve the Proposed Scheme);
- Deloitte, as the Independent Expert, concluding that the Proposed Scheme is in the best interests of Vocus shareholders;
- court approval of the Proposed Scheme in accordance with section 411(4)(b) of the *Corporations Act 2001*;
- no material adverse change occurring;
- no prescribed occurrences; and
- arrangements to deal with the options, legacy options or performance rights are on terms acceptable to the Bidder.

Consistent with its obligations under the Proposed Scheme, Vocus will no longer pursue the initial public offering of Vocus New Zealand during the period under which the Proposed Scheme is in effect.

The SID sets out an exclusivity period during which Vocus cannot:

- initiate or encourage any competing proposal with a third party;
- disclose to any third-party non-public information relating to Vocus which may encourage such third-party formulating any competing proposal.

A break-fee of \$35 million will be payable by Vocus to the Bidder in certain circumstances as specified in section 12.2 of the SID.

The Proposed Scheme is expected to become effective on 25 June 2021 and the Scheme Record Date is expected to be 2 July 2021.

Options and performance rights

Vocus has 28,683,667 options, 135,418 legacy options and 242,550 performance rights on issue. Summarised below are the agreed terms in relation to the options, legacy options and performance rights:

- **Legacy Options:** all legacy options have vested. Vocus has entered into an option cancellation deed whereby if the Proposed Scheme becomes effective, the legacy options will be cancelled and, as consideration, Vocus will pay the intrinsic value of the legacy options (being the Scheme Consideration per share less the exercise price per legacy option);
- **Share Options:** for share options held by certain employees of Vocus, Vocus has entered into option cancellation deeds whereby the option holders have agreed that their share options will be



cancelled in return for the Scheme Consideration less the exercise price, however, this will be paid in tranches over a period of two years from the implementation date (as defined in the SID). For the remainder of the share options holders, all of the share options will vest (i.e. any vesting conditions will be waived) so the share options can be immediately exercisable by the option holders. If option holders choose to exercise their share options, they will receive the Scheme Consideration less the exercise price of the share options; and

- **Performance Rights:** all performance rights on issue will vest if the Proposed Scheme becomes effective, and therefore each holder of the performance rights will be issued shares in Vocus prior to the Scheme Record Date. If the holders still hold the shares on the Scheme Record Date, those holders will receive the Scheme Consideration. Vocus also has a contractual obligation to the holders of the performance rights to grant two additional tranches of performance rights, subject to satisfaction of a performance conditions. In respect of this, Vocus has entered into cancellation letters in exchange for cash consideration. The total amount payable to the holders in consideration for the cancellation is NZ\$900,000.

1.3 Overview of the Bidder

The Bidder, Voyage Australia Pty Limited, is an entity owned by a consortium comprising MIRA and Aware Super.

MIRA is one of the world's largest alternative asset managers with over \$204 billion of assets under management.¹ MIRA has a team of over 900 employees and manages investments in over 150 portfolio businesses, approximately 500 properties, and 4.8 million hectares of farmland.² MIRA's most recent acquisition was Viamed Salud, a social and health centre provider in Spain, in October 2020. MIRA is a part of Macquarie Asset Management, the asset management arm of Macquarie Group (ASX: MQG).

Aware Super is Australia's second largest superannuation fund with approximately \$140 billion in savings under management for more than 1 million members across Australia. Aware Super originated from the merger of three large superannuation funds (First State Super, VicSuper and WA Super) in 2020. In March 2021, Aware Super entered into merger talks with Victorian Independent Schools Superannuation Fund, which manages approximately \$850 million in savings.

¹ As at 30 September 2020. Assets under management is defined as proportionate enterprise value, calculated as proportionate net debt and equity value.

² MIRA website.



2 Basis of evaluation

2.1 Guidance

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's reports and ASIC Regulatory Guide 112 in respect of the independence of experts.

Schemes of arrangement can include many different types of transactions, including being used as an alternative to a takeover bid. The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 of the *Corporations Act 2001* requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the Shareholders'. Accordingly, if an expert were to conclude that a proposal was 'reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the Shareholders.

ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111, an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the shares subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company; and
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the offer under the proposed scheme, in the absence of any higher bids before the close of the offer.

To assess whether the Proposed Scheme is in the best interests of Shareholders, we have adopted the tests of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities that are the subject of the offer. The comparison must be made assuming 100% ownership of the target company.

Accordingly, we have assessed whether the Proposed Scheme is fair by comparing the value of a Vocus share with the value of the Scheme Consideration to be received from the Consortium. We have assessed the value of each Vocus share by estimating the current value of Vocus on a control basis and dividing this value by the number of shares on issue.

The Vocus shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a Vocus share has not been premised on the existence of a special purchaser.



Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair; or
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Proposed Scheme we considered the following significant factors in addition to determining whether the Proposed Scheme is fair:

- the likely market price and liquidity of Vocus shares in the absence of the Proposed Scheme;
- the future growth potential and options available to Vocus that Shareholders would be forgoing if they accepted the Proposed Scheme;
- the value to an alternative bidder and the likelihood of an alternative offer being made; and
- other implications associated with Vocus shareholders rejecting the Proposed Scheme.



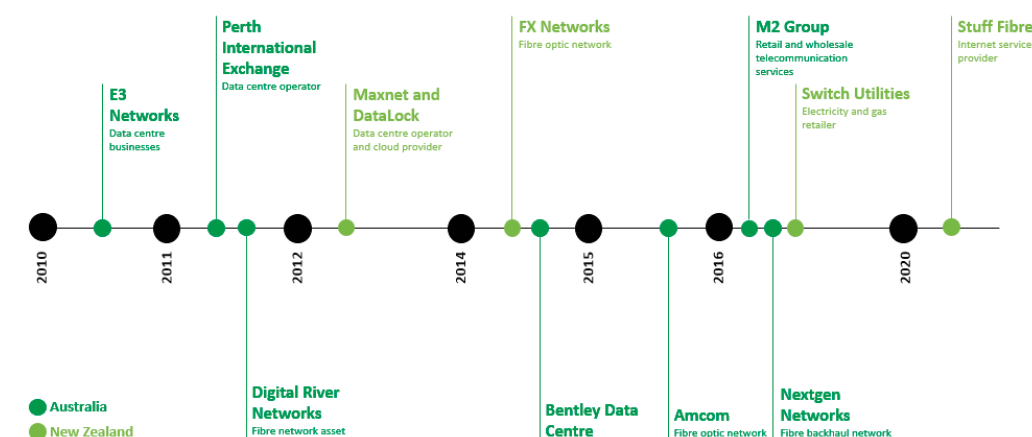
3 Profile of Vocus

3.1 History of Vocus

Established in 2008, Vocus Group Limited (**Vocus or the Company**) is a vertically integrated telecommunications service provider of fibre, ethernet, internet, data centres, energy and unified communications services across the Australian and New Zealand markets. Vocus owns and operates a 30,000km national fibre network, connecting all capital cities (except for Hobart) and most regional centres across Australia and New Zealand. Its fibre network is the second largest in Australia, behind Telstra.

Vocus listed on the ASX in 2010 via a reverse take-over of ASX-listed First Opportunity Fund. Since listing on the ASX, Vocus has diversified its offerings and infrastructure network through a series of acquisitions and organic growth.

Figure 3: Timeline of Vocus' major acquisitions



Source: Vocus filings

In 2015, Vocus acquired Amcom Telecommunications (Amcom), transforming Vocus into one of Australia's largest telecommunications providers. Amcom was an ASX-listed telecommunications and information technology company headquartered in Perth, with a national data network including 2,300km of fibre network and seven data centres.

In 2016, Vocus became a full-service vertically integrated, infrastructure-backed trans-Tasman telecommunications company when it merged with M2 Group as part of a \$3 billion transaction. The merger positioned Vocus as the fourth largest integrated telco player in Australia and the third largest in New Zealand, and diversified the product portfolio of Vocus to include retail internet, electricity and gas, corporate and wholesale internet and IP voice, data centre and cloud services, international and domestic bandwidth, and dark fibre.

Later acquisitions included Nextgen Networks in 2016, one of Australia's largest national fibre backhaul networks, and more recently in 2020, Stuff Fibre, an internet service provider offering fibre broadband in New Zealand.

The integration of so many businesses over the years has proved challenging for Vocus, as the past acquisitions brought significant integration and execution risks which resulted in a series of earnings downgrades in 2016 and 2017. Furthermore, the rollout of the National Broadband Network (NBN) brought a structural shift in the Australian telecommunications industry posing additional risks to the consumer-facing businesses of Vocus (refer to section 4 for more details). A drive to greater efficiency and shareholder value creation driven by these dynamics led a major restructure of the Vocus leadership team, with the appointment of a new CEO, Mr. Kevin Russell, and a new board of directors in 2017.

Following the renewal of the executive team, Vocus launched a new three-year turnaround strategy that separated Vocus into three discrete businesses aimed at operating autonomously. The goal of this new strategy was to continue to invest in strategic opportunities to expand the Vocus fibre network, and

build recurring revenues for long-term sustainable growth, while focusing on cost improvement initiatives. The three-year turnaround was deemed to be completed ahead of schedule early 2021, with Vocus now focusing on growth and capital allocation management.

3.2 Business overview and strategy

Vocus' primary business operations are separated into the following three distinct operating segments:

- Vocus Network Services (**VNS**)
- Retail (**Vocus Retail**)
- New Zealand (**Vocus NZ**).

Through these three business segments, Vocus targets enterprise, government, wholesale, small business and residential customers with a portfolio of several brands.





Vocus' telecommunications infrastructure network is, arguably, its most strategic asset. Vocus connects the trans-Tasman region to the rest of the world, covering approximately 30,000km of high-performance fibre optic cables in Australia and New Zealand.

Figure 4: Vocus Australian and New Zealand network



Source: Vocus website

Table 3: Vocus telecommunications infrastructure network

	1	• 15,020km inter-capital network in Australia and 4,200km in New Zealand
	2	• Over 9,500km of metropolitan and regional fibre in all major centres in Australia
		• More than 5,500 on-net buildings
		• Connectivity to 17 major sports stadiums
	3	• 4,600km Australia Singapore submarine Cable (ASC) connecting Australia to Asia, providing 60 terabyte capacity
	4	• 2,120km North West Cable System (NWCS) connecting offshore oil and gas facilities to on-shore locations between Port Hedland, Western Australia and Darwin. The NWCS is the only combined subsea telecommunications network and resources industry cable in Australia and provides 12 terabyte capacity
	5	• Connectivity to the USA via investment in indefeasible right of use agreements
	6	• Approximately 1 terabyte of East coast capacity on the Southern Cross subsea cable network that connects Australia, NZ, Hawaii and the United States mainland
		• Owned and operated portfolio of 18 data centres in Australia and New Zealand, with fibre access to another 126 data centres

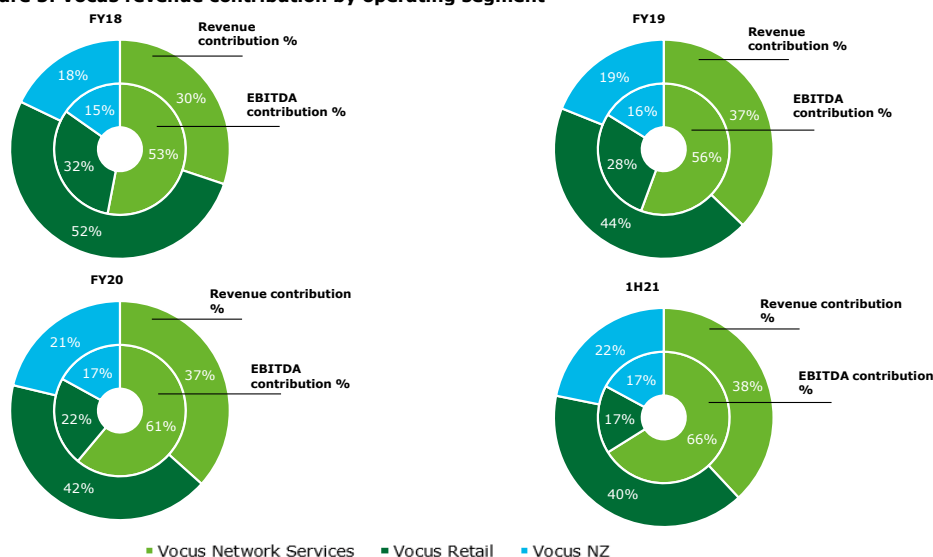
Source: Vocus management presentations and filings

Note: numbered items above are referenced in Figure 4 for illustrative purposes.



Whilst almost half of Vocus revenue is generated by Vocus Retail, VNS generates by far the highest margins. Vocus' most recent strategy involves a shift in focus towards the more profitable VNS segment whilst maintaining its market share in Vocus Retail and continuing to support the steady growth of Vocus NZ. This dynamic is shown in Figure 5 below.

Figure 5: Vocus revenue contribution by operating segment



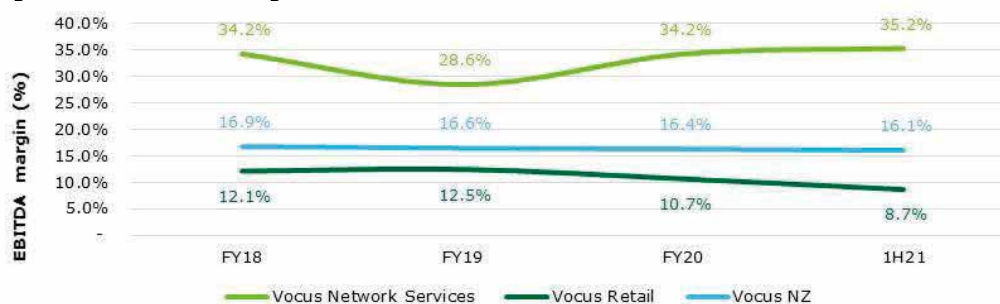
Source: Vocus filings, Vocus management accounts

Notes:

1. EBITDA contribution is based on underlying, fully allocated, pre AASB 16 EBITDA excluding corporate
2. fully allocated EBITDA for FY18 based on management accounts.

The different trends in the profitability of Vocus' three operating segments are evident from the figure below, which displays the recent underlying EBITDA margins across VNS, Vocus Retail and Vocus NZ.

Figure 6: Vocus EBITDA margins



Source: Vocus filings

Note: EBITDA margins calculated based on underlying, fully allocated, pre AASB 16 EBITDA.

3.2.1 Vocus Network Services

Under the Vocus brand, VNS operates as a leading specialist fibre and network solutions provider that services enterprise, government and wholesale businesses in the Australian and international market. The VNS infrastructure network assets facilitate the provision of fibre, ethernet, internet, and data centre services to customers, whereby VNS recognises revenue over a contracted period.

VNS has solidified its position as the core growth segment for Vocus. Growth over the past few years has been underpinned by Management's execution of the three-year turnaround plan, increase in international customers and sales on the ASC, and continued growth in the wholesale NBN offering, particularly within the Federal Government market. As part of the three-year turnaround strategy, Management increased VNS investment to simplify and modernise its infrastructure network with the

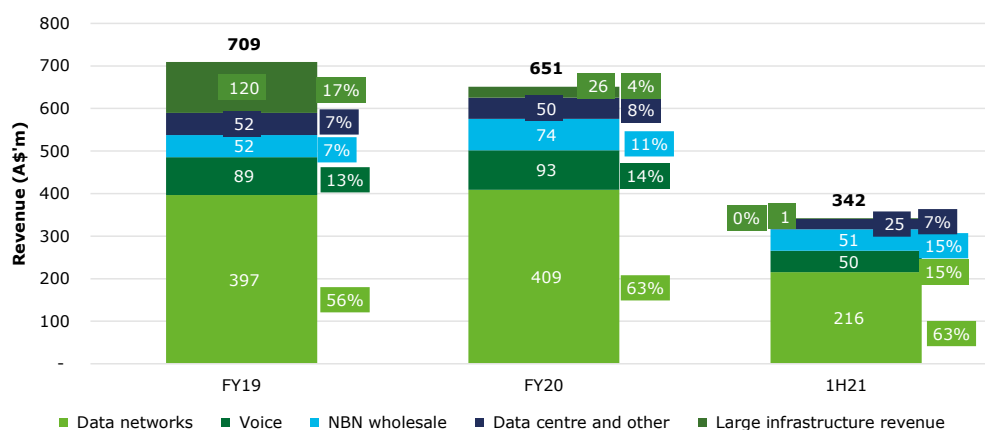


aim of reducing costs and improve speed of service provisioning, assurance and monitoring in order to enhance customer experience. Management also won the construction of the first Low Earth Orbit (LEO) satellites ground stations in Australia. These stations will connect to small satellites to offer high-end internet coverage especially in remote sites where fixed line and fixed wireless infrastructure is unavailable or inadequate, such as in regional and rural areas. To date, VNS has contracted the construction of 13 ground stations. LEO satellites are seen by Management as a disruptor in networking and is expected to complement VNS fibre assets.

VNS leverages its owned and operated fibre network, which allows customers to establish a private, fast and secure connection to link their enterprise locations to data centres and to access the internet. The majority of VNS revenue is recurring over a contracted period and is primarily derived from the provision of the following services:

- **Data networks** services includes dark fibre services that provide a secure point-to-point connection for customers, and ethernet services which provide end-to-end connectivity between sites across Australia, New Zealand, Singapore, Hong Kong and the United States;
- **Voice** includes interconnect carrier services with the Vocus voice network, which provides the ability to route calls to/from Vocus clients through the Vocus network to both national and international destinations;
- **NBN wholesale** includes wholesale NBN services to provide high speed broadband access to customers through Vocus Network Connect and Reseller Connect products (backhaul, basic aggregation and virtual network-to-network interface services);
- **Data centres** relates to the leasing of the VNS portfolio of data centres for businesses requiring secure colocation facilities for their own infrastructure;
- **Large infrastructure revenue** relates to non-recurring revenues from the construction and delivery of large infrastructure projects for customers, such as the recently completed Coral Sea Cable for the Australian Government, which is a 4,700km cable connecting Sydney to Honiara and Port Moresby, and the 730km Solomon Islands Domestic Network connecting 4 islands in Solomon islands.

Figure 7: VNS revenue breakdown by product from FY19 to 1H21



Source: Vocus filings

Notes:

1. percentages displayed above are representative of the product contribution to total revenue for each period
2. numbers may not add due to rounding.

VNS provides these services to both wholesale customers and enterprise and government (E&G) customers. The wholesale customer base comprises of service providers such as domestic and international carriers, over-the-top providers, and data centre providers with high bandwidth demands. The primary focus for the wholesale customer base is the provision of communications solutions which allow service providers to deploy new services for their own customer base. For example, Vocus would enable an over-the-top provider to offer their services (i.e. video, voice or messaging services) using its existing VNS network. The E&G customer base consists of customers in mining, financial services, local and federal government, and health industries. Recent contract wins within the E&G division include the branch network of Suncorp, network connectivity for the Australian Taxation Office, Heathy Care and Anglicare.

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The majority of relationships with VNS customers are underpinned by lease arrangements ranging from 12 to 36 months, or long-term contracts spanning 5 to 10 years. In FY20 and 1H21, 96% and 100%, respectively, of total VNS revenues were recurring. Although contract length periods have been decreasing (given customers preference for greater flexibility in line with current industry trends observed), VNS customers typically tend to stay with Vocus longer than the contract periods as a result of contract renewals.

The strength and value proposition of VNS lies in its extensive backbone fibre network that connects its data centres, and a strong strategic partnership ecosystem that provides additional capabilities critical in enabling end-to-end solutions for customers, all while providing a customer-centric approach and ability to deliver services on time.

The growth of VNS is highly dependent on the ability of Vocus to invest in its infrastructure, particularly the fibre network, with Management announcing in July 2019 that all discretionary capital in the business will be invested into VNS. Refer to section 3.5 which details the relatively greater historical capital expenditure spend on VNS compared to the Vocus Retail and Vocus NZ segments.

3.2.2 Vocus Retail




Vocus Retail is a reseller of broadband, mobile, voice and energy services to the consumer market and the small to medium business (**SMB**) market in Australia which leverages the VNS infrastructure to provide its services. Vocus Retail aggregates a multitude of businesses acquired in the past, that continue to undertake separate, but complementary, go-to-market strategies, and target the price sensitive and value seeking segments within the Australian telecommunications market. Vocus Retail had c. 985k subscribers as at 28 February 2021.

Over the past few years, Vocus Retail, along with the rest of the Australian telecommunications industry, has experienced significant disruption brought by the rollout of the NBN, which has resulted in a shift away from high margin legacy stand-alone voice and ADSL services in operations (**SIOs**), as customers migrate to lower-margin NBN and mobile services. As part of the Vocus three-year turnaround plan, Management targeted managing costs in Vocus Retail as the high margin legacy SIOs rolled off. Vocus Retail utilised the various brands within its portfolio to target different segments within the consumer and SMB markets to maintain market share while also preserving its profitability.

Management's strategic direction for Vocus Retail is to leverage its portfolio of brands to clearly defined market segments, diversify revenue through growth of offerings bundling mobile and energy products, and the deployment of a low cost, digital operating model away from legacy systems.

The key go-to-market Vocus Retail brands for consumer and SMB are shown in the table below.

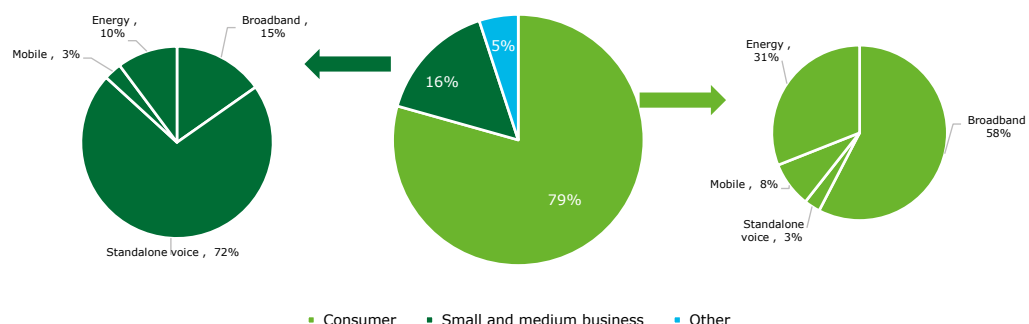
Figure 8: Retail go-to-market brands and products

Consumer		Small and medium business
		
<ul style="list-style-type: none"> • Bundled broadband data • Stand-alone voice • Mobile services • Fetch TV • Gas & electricity (bundled) 	<ul style="list-style-type: none"> • Bundled broadband data • Stand-alone voice • Mobile services • Fetch TV 	<ul style="list-style-type: none"> • Broadband data • Stand-alone voice • Mobile services • Electricity (discontinued in November 2020)

Source: Vocus filings, websites

As shown in the following chart, the majority of revenue is generated from the consumer market. The product mix for both consumer and SMBs is provided in the left and right charts below.

Figure 9: Vocus Retail FY20 revenue breakdown by customer and product



Source: Vocus filings

Note: numbers may not add due to rounding.

In FY20, broadband revenues and standalone voice revenues (relating predominantly to legacy voice and ADSL SIOs) contributed to the majority of the Consumer and SMB revenues, respectively. However, legacy SIOs have been declining over the recent years as consumers shift towards replacement products, being NBN and mobile products. This shift in products has been the primary driver for declining margins in Vocus Retail. To contrast this trend, improve profitability and reduce churn rates, Management have sought to diversify revenue sources by, amongst other things, executing a bundling strategy of energy with mobile and broadband products. This strategy is expected to result in a gradual increase in margins from FY22 onwards.

Management views Vocus Retail as a strategic asset in the Australian NBN marketplace due to the following factors:

- Vocus Retail is the largest player in the tier 2 broadband market. The tier 2 broadband market is highly fragmented, with other major players in this market (after Vocus Retail) including Aussie Broadband and Belong;
- Dodo, benefitting from high customer awareness, is the leading brand in a growing tier 2 market which has historically taken market share from the tier 1 telco players such as Telstra and Optus, as reflected in the growth of mobile SIOs in FY20 attributable to the Dodo brand; and
- Vocus Retail has a relatively low variable cost base and, coupled with the growth expected in the level of subscribers, Management expect the business will have sufficient scale to increase profitability over the next few years.

Despite the attributes of Vocus Retail identified by Management, this operating segment continues to face challenges associated with a very competitive market, lower barriers to entry compared to VNS (which owns strategic physical assets) and a low operating leverage which results in low margins.

3.2.3 Vocus NZ

Vocus NZ owns and operates a national fibre network with over 4,281km of fibre infrastructure, which enables the delivery of network solutions throughout New Zealand and 100% ultra-fast broadband (UFB) coverage. Vocus NZ has an on-net presence throughout Australia (through infrastructure equipment installed in Australia), and international reach across both the Southern Cross and Hawaiki cable systems. This segment, however, does not own a mobile network.

Vocus NZ completed the acquisition of Stuff Fibre on 20 May 2020 adding 20,000 new broadband customers to its existing c. 200,000 customer base. Stuff Fibre products include in-home Wi-Fi troubleshooting, which Vocus NZ will introduce to their existing customers. Vocus NZ also intends to bring their existing products such as power and mobile services to the Stuff Fibre base. Stuff Fibre was integrated into the Vocus NZ network within two months following the acquisition.

Vocus NZ operates a multi-brand strategy to target different customer segments in the New Zealand market. Vocus NZ operates in two business units, being:

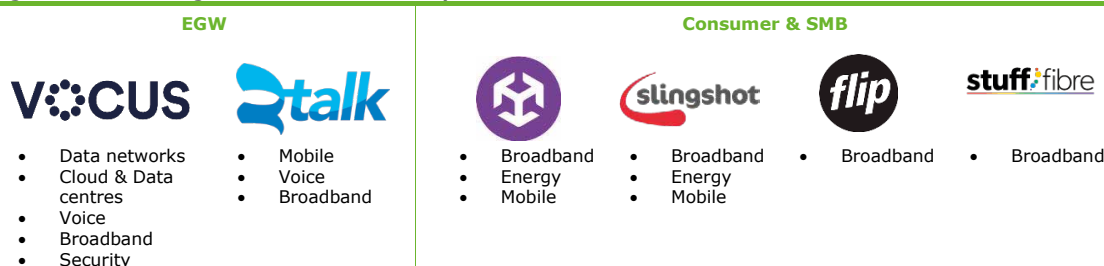
- Consumer and SMB: which is focused on a broadband-led strategy with the bundling of energy and mobile services predominantly under the Slingshot, Orcon and Flip brands, and, more recently, the Stuff Fibre brand. This business unit targets the more price sensitive consumers by competing with

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smaller and price-aggressive players in the New Zealand telecommunications consumer market. Two of Vocus NZ competitors in the Consumer and SMB market are Two Degrees Mobile and MyRepublic; and

- Enterprise, government and wholesale (**EGW**): which provides network data and voice services predominantly under the Vocus brand, but also through the 2Talk brand.

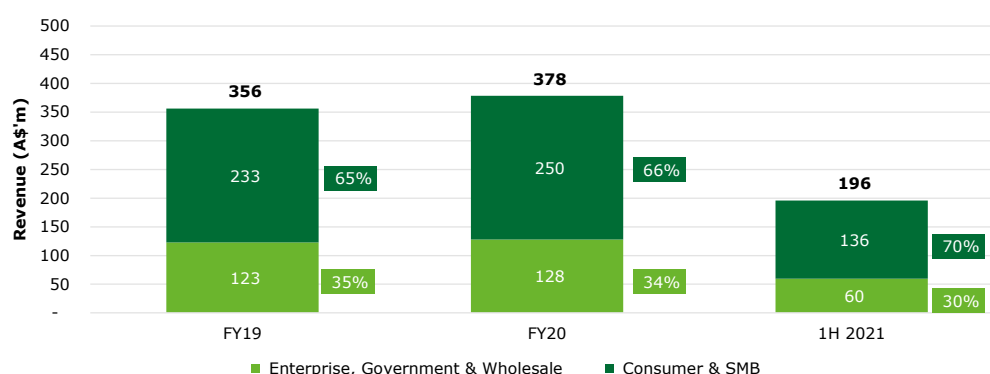
Figure 10: Vocus NZ go-to-market brands and products



Source: Vocus filings, websites and annual reports

The Consumer and SMB division revenue contribution has steadily increased from FY19 to 1H21, as shown in the figure below. This is largely because of the continued strategy of bundling energy with core telco products in this division. We also note that 1H21 results include the impact of the integration of Stuff Fibre into the Consumer and SMB division.

Figure 11: Vocus NZ revenue split by business unit



Source: Vocus filings

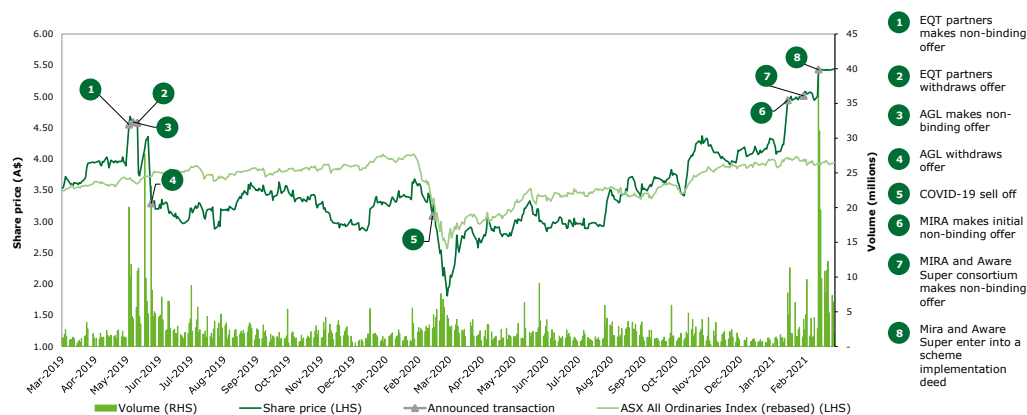
Management's direction for Vocus NZ going forward is to continue capturing market share opportunities that exist in New Zealand by leveraging its existing network reach and capacity. Given Vocus NZ current holds a small share (particularly within mobile and energy), which is dominated by Spark New Zealand and Vodafone, Management sees opportunity for growth – smaller players have been taking share from larger players by offering price competitive products. This can be achieved through acquisitions of players such as Stuff Fibre.

Vocus has been preparing for an IPO of Vocus NZ to divest 100% of the business, planned to be undertaken by 30 June 2021. The proceeds from the IPO are intended to deleverage Vocus and provide sufficient capital to fuel investments and growth in VNS. Consistent with its obligations under the Proposed Scheme, Vocus is no longer pursuing the IPO during the period under which the Proposed Scheme is in effect.

3.3 Share trading price

The trading price of Vocus' shares over the past two years is set out in the figure below.

Figure 12: Vocus share trading performance



Source : Capital IQ, Deloitte analysis

Note: ASX all ordinaries index has been rebased

Over the past two years, the Vocus share price has been primarily affected by a number of takeover offers, earnings results, and volatility caused by the COVID-19 global pandemic.

On 27 May 2019 EQT made a non-binding offer at \$5.25 per share but ceased undertaking due diligence and withdrew its proposal on 4 June 2019. This offer implied a 33.2% premium on the share price on the day prior to the announcement date.

On 31 May 2019 AGL made a non-binding offer at \$4.85 per share but ceased undertaking due diligence and withdrew its proposal on 17 June 2019. Management have noted the withdrawal of EQT and AGL's indicative offers was a result of the execution risk associated with the early stages of Vocus' turnaround strategy, and the difficulty from AGL in integrating Vocus assets into its own business model. Following the withdrawal of the EQT and AGL offers, Vocus' share price decreased to levels below the pre-offer share price.

Following the turmoil caused by the COVID-19 pandemic to global markets, in March 2020 the share price declined to a low of \$1.81. After the initial sharp decrease, Vocus' share price began to recover, likely as a result of an increased demand for telco infrastructure, capacity and cyber security on the corporate side, and increased usage of broadband and mobile on the consumer side.

Following a positive FY20 earnings release on 18 August 2020 and a series of large open market purchases of Vocus' shares by institutional investors, the share price has been progressively rebounding and outperforming the broader ASX index from the lows of March 2020.

On 8 February 2021, Vocus announced that MIRA had made a non-binding and indicative offer of \$5.50 a share. In the announcement, Vocus notes that MIRA's offer was subject to completion of due diligence, MIRA securing debt financing, unanimous recommendation of the Vocus Board and entry into a mutually acceptable scheme implementation agreement. MIRA's offer represents a 25.6% premium to the prior day closing price of \$4.38, and a 30.5% premium to the five-day volume weighted average price of \$4.22 prior to the offer announcement.

On 23 February 2021, Vocus announced that MIRA entered into a co-operation agreement with Aware Super to progress its offer via a consortium on the same terms as initially announced and that the due diligence was continuing. Subsequently, on 9 March 2021, Vocus entered into a scheme implementation deed with the consortium of MIRA and Aware Super at the offer of \$5.50 per share.

The volume of shares traded over the month prior to MIRA's initial non-binding offer was 3.1% of the total volume of shares. This compares to an average monthly volume of shares traded of 6.7% per month over the 12-month period prior to the initial offer.



3.4 Capital structure and shareholders

As at the 7 April 2021, Vocus had 621,214,651 ordinary shares on issue, as summarised in the table below.

Table 4: Vocus shareholders as at 7 April 2021

	Number of Vocus shares held (m)	% of total Vocus shares on issue
Janchor Partners Limited	57.5	9.3%
Yarra Funds Management Limited	39.1	6.3%
The Vanguard Group, Inc.	34.3	5.5%
Dimensional Fund Advisors LP	30.6	4.9%
UBS AG	28.8	4.6%
Goldman Sachs Group	28.5	4.6%
Top 6 shareholders	218.8	35.2%
Remaining shareholders	402.4	64.8%
Total shares outstanding	621.2	100.0%

Source: Management

Note: numbers may not add due to rounding.

Vocus has not undertaken any capital raisings over the past few years, with the most recent capital raise completed in July 2016, relating to the raising of approximately \$652 million to support Vocus' acquisition of Nextgen Networks from Nextgen Group, and the North West Cable System and Australia Singapore Cable development projects.

Additionally, Vocus has 28,683,667 employee Share Options, 135,418 Legacy Options and 242,550 Performance Rights on issue. Refer to section 6.2.3 and section 6.2.4 for further details on the number of shares and net debt adopted for the purpose of our valuation.

Table 5: Share options and performance rights at 31 March 2021

Instrument granted	Expiry	Exercise price (\$)	Number of shares ('000)
Employee Share Options	01-Aug-25	2.38	20,585
	01-Aug-25	3.06	417
	01-Aug-25	3.66	200
	01-Aug-25	2.78	2,400
	01-Aug-25	3.21	400
	01-Aug-25	3.31	200
	01-Aug-25	2.85	200
	01-Aug-25	3.12	400
	01-Aug-25	3.15	500
	01-Aug-25	3.18	1,400
	01-Aug-25	3.14	500
	01-Aug-25	2.96	1,350
	01-Aug-25	2.41	132
Total employee Share Options			28,684
Legacy Options	22-Feb-23	5.20	135
Performance Rights	n/a	n/a	243

Source: Vocus management

Note: Numbers may not add due to rounding

3.5 Financial performance

We have summarised the financial performance of Vocus for the three years ended 30 June 2018 to 30 June 2020 and the half-year ended 31 December 2020 in the table below.

Table 6: Historical financial performance of Vocus

\$'m	Audited Actual FY18	Audited Actual FY19	Audited Actual FY20	Reviewed Actual 1H21
Revenue	1,885	1,892	1,778	897
<i>Revenue growth</i>	3.5%	0.4%	(6.0%)	(0.5%) ¹
Underlying EBITDA (pre AASB 16)²	367	360	360	182
<i>Underlying EBITDA margin</i>	19.5%	19.0%	20.3%	20.2%
AASB 16 adjustments	n/a	24 ³	22	11
Underlying EBITDA (post AASB 16)	n/a	384³	382	193
Underlying depreciation and amortisation ⁴	(142)	(155)	(171)	(100)
AASB 16 depreciation	-	-	(18)	
Depreciation and amortisation	(142)	(155)	(189)	(100)
Underlying EBIT (pre AASB 16)	225	205	190	n/a
<i>Underlying EBIT margin %</i>	11.9%	10.8%	10.7%	n/a
Underlying EBIT (post AASB 16)	n/a	n/a	193	93
<i>Underlying EBIT margin %</i>	n/a	n/a	10.9%	10.3%
Significant items	(94)	(99)	(302)	(36)
- Gains/losses associated with foreign exchange & other	2	2	0	(1)
- Net loss on disposal of assets	-	(1)	(1)	-
- Long term incentive	-	(6)	(8)	(5)
- Amortisation from past business combinations	(88)	(88)	(80)	(31)
- Other significant items	(8)	(6)	(12)	1
- Impairment	-	-	(202)	-
Statutory EBIT	131	106	(109)	57
Net finance costs	(41)	(53)	(56)	(28)
Income tax expense	(29)	(19)	(13)	(9)
Net profit after tax (NPAT)	61	34	(178)	19
<i>NPAT margin</i>	3.3%	1.8%	(10.0%)	2.1%
Capex ⁵	219	309	193	101
<i>Capex to revenue</i>	11.6%	16.3%	10.8%	11.3%

Source: Vocus annual reports

Notes:

1. 1H21 revenue grew 0.5% in comparison to 1H20

2. underlying pre AASB16 EBITDA, post-allocation of costs and inclusive of corporate costs of c. \$5 million a year

3. FY19 underlying EBITDA post AASB16 has been restated for comparison purposes. We assumed the impact of AASB 16 in FY19 to be \$24 million at the group level

4. underlying depreciation and amortisation expense in FY20 excludes the depreciation of right of use assets of \$18 million and \$80 million of amortisation related to acquired customer relationships and software. Depreciation on AASB 16 items is displayed separately, and amortisation related to acquired customer relationships and software is included in significant items. 1H21 underlying depreciation excludes \$31 million of amortisation related to acquired customer relationships and software but includes depreciation of right of use assets

5. capex is exclusive of payments for the purchase of businesses, and acquisition and integration costs

6. numbers may not add due to rounding.



Recently Vocus has been executing on its three-year turnaround strategy, which was completed in early 2021. VNS has been a key part of the strategy to drive growth and shareholder value, particularly during a period where the Vocus Retail business was going through structural changes and market transition brought about by the rollout of the NBN.

FY19 revenue growth and EBITDA margin were flat due to the declining revenue and margin of Vocus Retail offsetting the growth in VNS and Vocus NZ. This trend in Vocus Retail continued into FY20 and, coupled with the completion of the Coral Sea Cable System in December 2019 (which resulted in a decrease in non-recurring large infrastructure project revenue in the VNS segment) drove a 6% decline in revenue. Despite the continued decline in Vocus Retail margins, the group observed a slight improvement in EBITDA margin in FY20 primarily driven by the growth and increase in market share in the VNS business.

In FY20, Vocus recognised a \$202 million impairment of its goodwill and brands in the Vocus Retail business as a result of the uncertainty faced by its SMB division brought upon by the COVID-19 pandemic. The other major significant item pertains to the amortisation of the customer relationships and software arising from past acquisitions as well as the settlement of a class action lawsuit on 4 May 2020.

Vocus Retail and VNS gross profit and EBITDA includes general cost of goods sold, and selling and general administration costs, as well as costs from the allocation of corporate overheads, and infrastructure and operations costs that are allocated between Vocus Retail and VNS. These costs are allocated based on the two segments' usage of corporate functions such as the treasury and tax functions, as well as the usage of the VNS infrastructure network. In the allocation process, Management reviews costs on a cost-centre basis to determine the appropriate allocation to each segment.

Vocus NZ operates separately from the Australian segments (VNS and Vocus Retail), and as such, includes all New Zealand overhead and network related costs.

Capex has fluctuated in FY19 and FY20 due to the one-off large infrastructure project being the construction of the ASC which completed in FY19. Hence, capex decreased in FY20 to approximately 11% of revenue predominantly comprised of capacity upgrades, customer growth through investment in customer connections and customer premise equipment, and the maintenance and modernisation of the Vocus network. Vocus issued guidance in February 2021 indicating capex would be in the range of \$185 to \$200 million.

In the following sections, we provide further details on the financial performance of VNS, Vocus Retail and Vocus NZ.

3.5.1 VNS

The table below summarises the financial performance of VNS for FY19, FY20, and 1H21.

Table 7: Historical financial performance of VNS

\$'m	Audited Actual FY19	Audited Actual FY20	Reviewed Actual 1H21	Revenue contribution by product %		
				FY19	FY20	1H21
Recurring	590	626	340	83%	96%	100%
- Data networks	397	409	216	56%	63%	63%
- Voice	90	93	49	13%	14%	14%
- NBN wholesale	52	74	51	7%	11%	15%
- Data centre	41	38	18	6%	6%	5%
- Other	11	13	7	2%	2%	2%
Large infrastructure revenue	120	26	1	17%	4%	0%
Total revenue	710	652	342	100%	100%	100%
Total revenue growth ²	23.3%	(8.2%)	3.1%			
Gross profit	376	394	212			
Gross profit margin	53.0%	60.5%	62.0%			
Underlying EBITDA (post-allocation of corporate costs)¹	203	223	120			
Underlying EBITDA margin	28.6%	34.2%	35.2%			

Source: Vocus annual reports, Management accounts

Notes:

1. underlying Pre AASB 16 EBITDA post allocation of infrastructure, operations and group services costs

2. 1H21 revenue growth is based on the prior comparative period

3. numbers may not add due to rounding.

As mentioned previously, VNS has seen its recurring revenue grow as part of the three-year turnaround strategy, which has resulted in the win of new high value contracts and an increased presence in the Federal Government market. Additionally, VNS has maintained momentum in the growth of its NBN services provided to wholesale and enterprise customers. In FY20, the growth in recurring revenue was more than offset by a decrease in non-recurring large infrastructure project revenue following completion of the Coral Sea Cable System contract with the Australian Government which completed in December 2019.

Gross margin and EBITDA margin increased in FY20 and 1H21 primarily driven by the increase in data networks revenues which are higher margin offerings.



3.5.2 Vocus Retail

The table below summarises the financial performance of Vocus Retail for FY19, FY20, and 1H21.

Table 8: Historical financial performance of Vocus Retail

\$'m	Audited Actual FY19	Audited Actual FY20	Reviewed Actual 1H21	Revenue contribution by product %		
				FY19	FY20	1H21
Consumer:	610	590	300	74%	79%	83%
- Broadband	352	343	173	43%	46%	48%
- Stand-alone voice	25	13	2	3%	2%	1%
- Mobile	51	50	23	6%	7%	7%
- Energy	182	184	101	22%	25%	28%
SMB:	159	116	43	19%	16%	12%
- Broadband	20	18	9	2%	2%	3%
- Stand-alone voice	120	83	28	15%	11%	8%
- Mobile	5	4	2	1%	0%	0%
- Energy	15	12	5	2%	2%	1%
Other revenue³	57	42	17	7%	6%	5%
Total revenue	826	748	360	100%	100%	100%
Total revenue growth ²	(15.2%)	(9.4%)	(5.8%)			
Gross profit	294	245	111			
Gross profit margin	35.6%	32.7%	30.7%			
Underlying EBITDA (post-allocation of corporate costs)¹	103	80	31			
Underlying EBITDA margin	12.4%	10.7%	8.7%			

Source: Vocus annual reports, Management accounts

Notes:

1. underlying Pre AASB 16 EBITDA post allocation on infrastructure, operations and group services costs

2. 1H21 revenue growth is based on the prior comparative period

3. includes Other consumer revenue and other SMB revenue

4. numbers may not add due to rounding.

As noted in the previous section, total revenue for Vocus Retail has declined over the past few periods as a result of the customer migration from stand-alone voice and ADSL broadband services to NBN and mobile services. This has impacted both the Consumer and SMB segments in Vocus Retail business.

Notwithstanding this, we note the relative success in the energy SIO, particularly through sales from the Dodo brand.

Gross profit and EBITDA margins have decreased from FY19 to 1H21 primarily due to the loss of higher margin legacy voice and copper ADSL SIOs, and the migration to lower margin NBN products. Management expects the impact of margin erosion to be offset by new revenue streams and cost savings in 2H21.

3.5.3 Vocus NZ

The table below summarises the financial performance of Vocus NZ for FY19, FY20, and 1H21.

Table 9: Historical financial performance of Vocus NZ

\$'m	Audited Actual FY19	Audited Actual FY20	Reviewed Actual 1H21	Revenue contribution by business unit %		
Enterprise, Government & Wholesale (EGW)	123	128	60	35%	34%	30%
Consumer and SMB	233	250	136	65%	66%	70%
Total revenue	356	378	196	100%	100%	100%
Total revenue growth ³	6.3%	6.2%	3.9%			
Direct costs	(223)	(243)	(129)			
Gross profit	133	136	67			
Gross profit margin	37.4%	35.8%	34.3%			
Underlying EBITDA¹	59	62	32			
Underlying EBITDA margin	16.6%	16.4%	16.1%			

Source: Vocus annual reports, Management accounts

Notes:

1. underlying Pre AASB 16 EBITDA

2. 1H21 segment figures converted from NZD as reported to AUD at a FX rate of 0.9322, in-line with the AUD:NZD conversion rate in the 1H21 half yearly report

3. 1H21 revenue growth is based on the prior comparative period

4. numbers may not add due to rounding.

Total revenue growth in Vocus NZ has been steady at 6% per annum in FY19 and FY20, largely driven by fibre broadband growth and the bundling of energy products with mobile and broadband services in the Consumer and SMB business unit. Management note that the growth in the EGW business unit is attributable to strong growth within the wholesale business on the back of a new partner launch as well as increased bandwidth demand, but has been partially offset by a decline in the enterprise business from a large customer loss.

The acquisition of Stuff Fibre (now included in the Consumer and SMB business unit) was completed on 20 May 2020 and the financial results for 1H21 includes a full six-month contribution.

The slight decrease in gross profit margins over the past few years is a result of higher direct costs related to energy products, which are expected to decrease going forward as Vocus NZ realises the cost benefits of securing lower rates. Notwithstanding the slight decrease in gross profit margins, EBITDA margins have remained relatively stable between FY19 and 1H21 due to decreasing overhead costs from ongoing process automation and cost management initiatives.

As mentioned in section 3.5, Vocus NZ operates separately from the Australian segments (VNS and Vocus Retail), and as such, costs incurred for Vocus NZ includes all New Zealand overhead and network related costs, exclusive of any allocated costs from the Australian segments of Vocus.



3.6 Financial position

We have summarised in the table below the financial position of Vocus as at 30 June 2019, 30 June 2020 and 30 December 2021.

Table 10: Historical financial position of Vocus

\$'m	Audited June 2019	Audited June 2020	Reviewed December 2020
Trade and other receivables ¹	191	197	184
Trade and other payables ²	(257)	(259)	(231)
Provisions – current	(27)	(28)	(28)
Income tax	(3)	(9)	(13)
Deferred revenue ³	(94)	(80)	(84)
Contract costs asset	29	30	31
Net working capital⁴	(161)	(150)	(142)
Plant and equipment	1,768	1,760	1,749
Intangibles	2,044	1,780	1,768
Right-of-use assets	-	151	139
Deferred tax	(104)	(83)	(80)
Lease liabilities	-	(172)	(160)
Other non-current liabilities (net) ⁵	(20)	(10)	(10)
Derivative financial instruments	7	(33)	(19)
Historic deferred revenue ³	(137)	(127)	(122)
Total funds employed	3,397	3,116	3,124
Cash and cash equivalents	87	60	45
Borrowings	(1,116)	(1,015)	(973)
Net debt	(1,029)	(955)	(928)
Net assets	2,368	2,161	2,196

Source: Vocus filings, Deloitte analysis

Notes:

1. trade and other receivables balance includes trade and other receivables, prepayments and other current assets
2. trade and other payables balance includes trade and other payables, and other current liabilities
3. the deferred revenue balance included in net working capital excludes historic deferred revenue, which was initially recognised in FY17 following Vocus acquisition of Nextgen
4. Vocus has historically been in a net working capital deficit position, which is not uncommon for companies operating in the telecommunications industry. We also note that Vocus discloses working capital differently to how Deloitte have presented it in the table above
5. other non-current liabilities (net) balance includes other non-current assets, non-current provisions and other non-current liabilities
6. numbers may not add due to rounding.

Vocus operates with a negative net working capital position, which is common for companies in the telecommunications industry.

The majority of the Vocus net assets are invested in its plant and equipment. The most significant is its fibre and network assets, accounting for 80% and 12%, respectively, of the total plant and equipment balance as at 31 December 2020. The right of use asset and the lease liabilities balance were recorded on the balance sheet for the first time in FY20 as a result of the adoption of AASB 16 *Leases* (**AASB 16**).

Intangible assets of \$1.7 billion as at December 2020 relates predominantly to \$1.3 billion of goodwill which arose as a result of Vocus' past acquisitions. The balance of the intangible assets relates to customer assets, software, brands, and indefeasible right of use capacity. Intangible assets decreased in FY20 mainly due to a \$202 million impairment of goodwill and brands recognised in the Vocus Retail business, as described previously in section 3.5.2.

Vocus recognises a deferred revenue balance, which is common for companies operating in the telecommunications industry. It is typical for Vocus to receive payment upfront based on the contract terms – this therefore results in a liability being recognised (i.e. deferred revenue) until the products



and/or services have been provided by Vocus. The deferred revenue balance as at December 2020 includes a portion of historic deferred revenue from the Nextgen acquisition in FY17:

- the historic deferred revenue relates to initial revenue under the NWCS project and the runoff of contracts acquired through the Amcom and Nextgen acquisitions. The historic deferred revenue was initially recognised in FY17 at \$10.4 million (including an initial \$3 million contribution from NWCS) and \$24.8 million in FY18. Deferred revenue is expected to unwind until 2042 at a diminishing rate, decreasing from \$10.7 million in FY21 to \$1.4 million in 2042; and
- the historic onerous provision primarily relates to the unwind of property leases and the Metronode contract assumed as part of the Nextgen acquisition (\$4.3 million in FY20 compared to \$16.5 million in FY17). The onerous provision is expected to be fully unwound by 2027.

Vocus is exposed to a variety of financial risks, including foreign exchange risk (primarily with respect to the United States dollar, New Zealand dollar and Philippine peso), energy price risk and interest rate risk. In order to manage these risks, Vocus NZ has entered into derivatives contracts – principally interest rate swaps, forward foreign exchange contracts and long-term energy swaps.

As at 30 June 2019, Vocus had \$1.1 billion of interest-bearing liabilities, of which c. 10% was repaid over the period through to 31 December 2020. This reduction in financial debt is in line with Management's goal to continue to reduce its net leverage ratio.

The Company recognises a deferred tax balance in a net liability position, which relates to temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled.

The contract costs asset relates to capitalised costs that are directly attributable to the acquisition of a new customer, including capitalised commissions paid to internal sales personnel. The contract costs are amortised over the average expected term of the customer contract.



3.7 Earnings guidance and broker forecasts

In February 2021, Vocus provided FY21 guidance for the Group to the market. The Company forecasts:

- underlying EBITDA for the Group to be in the range of \$382m to \$397m in FY21;
- VNS recurring revenue to grow at 8%; and
- VNS underlying EBITDA to grow at 10% to 12% in FY21.

Vocus is covered by a number of brokers who disclose their forecasts for Vocus' financial performance. We have summarised the average broker consensus forecasts for the forecast periods FY21 to FY23 in the table below.

Table 11: Average broker consensus

\$'m	2020A ¹	2021E	2022E	2023E	No. brokers
Vocus Group					
Revenue	1,778	1,789	1,829	1,880	5
<i>Revenue growth</i>	<i>(6.0%)</i>	<i>0.6%</i>	<i>2.2%</i>	<i>2.8%</i>	
EBITDA²	360	392	412	435	5
<i>EBITDA margin</i>	<i>20.3%</i>	<i>21.9%</i>	<i>22.5%</i>	<i>23.1%</i>	
EBIT⁴	190	178	204	229	5
Profit before tax⁴	144	111	154	184	5
NPAT	101	95	111	131	5
VNS					
Revenue	652	686	734	783	4
<i>Revenue growth</i>	<i>(8.2%)</i>	<i>5.3%</i>	<i>7.0%</i>	<i>6.7%</i>	
EBITDA²	223	264	286	305	5
<i>EBITDA margin</i>	<i>34.2%</i>	<i>38.5%</i>	<i>38.9%</i>	<i>39.0%</i>	
Vocus Retail					
Revenue	748	713	701	697	4
<i>Revenue growth</i>	<i>(9.4%)</i>	<i>(4.7%)</i>	<i>(1.6%)</i>	<i>(0.7%)</i>	
EBITDA²	80	64	60	59	5
<i>EBITDA margin</i>	<i>10.7%</i>	<i>9.0%</i>	<i>8.5%</i>	<i>8.5%</i>	
Vocus NZ					
Revenue	378	392	407	422	4
<i>Revenue growth</i>	<i>6.2%</i>	<i>3.6%</i>	<i>3.9%</i>	<i>3.5%</i>	
EBITDA²	62	68	71	74	5
<i>EBITDA margin</i>	<i>16.4%</i>	<i>17.4%</i>	<i>17.4%</i>	<i>17.7%</i>	
Corporate costs					
Corporate costs	(4.6)	(4.2)	(4.2)	(4.2)	5

Source: ThomsonOne, Deloitte analysis

Notes:

1. figures in the 2020A column have been sourced from the audited Vocus FY20 annual report. Sum of the segment EBITDA results will not reconcile with the Vocus Group EBITDA due to the exclusion of corporate costs in the above table

2. 2020A EBITDA is on an underlying, Pre AASB 16, fully allocated (for the segments) basis except for unallocated corporate costs

3. 2020A EBIT is on an underlying, Pre AASB 16 basis and excludes amortisation of acquired customer relationships and software

4. 2020A Profit before tax and NPAT is on an underlying basis

5. although 10 brokers provide guidance at group level for Vocus, we have only presented in the table above the average from the 5 brokers that also provide guidance at each segment level.

4 Telecommunications industry in Australia and New Zealand

4.1 Overview

Companies in the telecommunications industry in Australia and New Zealand provide fixed and mobile voice and internet as well as data, cloud and Voice over IP services. The Australian and New Zealand industries exhibit competitive product pricing, large consumer choice, large capability in delivering complimentary information technology services, and a wide offering of adjacent services bundled with traditional telco products. Most market players are both horizontally and vertically integrated as they offer a broad range of end-to-end services to residential, business, enterprise and government customers.

From the late 2000s, government initiatives in Australia and New Zealand spurred the roll-out of national wholesale fibre networks in both countries. Over the past decade, copper line networks have migrated to fibre with the NBN in Australia and UFB network in New Zealand. From 2010 to 2015, Australia's fixed-line business was largely consolidated, reducing the competition to a few key players. Since 2015, as a result of the roll-out of the NBN, the barriers to entry for fixed line services came down, leading to a more competitive environment. There are now a plethora of internet service providers all competing to acquire more subscribers.

Mobile data consumption has increased as customers have increasingly used social networking, music and video streaming, online gaming, internet protocol television and voice over IP (known as IPTV and VOIP respectively). In 2020 only, data usage rose by 23% in Australia.³ However, despite the increase in mobile volumes, industry revenue has declined, mainly due to the fixed to mobile substitution which results in a transfer (not creation) of revenue, as well as a declining average revenue per user (**ARPU**), especially for mobile services (-27% between 2015 and 2020 vs. -9% for fixed line services over the same period).⁴

Fixed to mobile substitution has been a major trend over the past few years as an increasingly high portion of retail customers only use mobile services and do not have a fixed line at home. The 5G network, which will create competition to the NBN, is expected to advance mobile technology and help meet the significant increases in data demand whilst also improving speed, decreasing latency and providing a reliable connection between networks and multiple devices. Several industry experts expect Australia to become one of the top four contributors of the growth of 5G networks in Asia, which by 2025 is predicted to be the largest 5G market in the world.⁵ However, an effective rollout of 5G in Australia is heavily dependent on mobile network operators (**MNOs**) making significant investments in infrastructure. The full benefit of 5G technology may become more apparent as 5G networks integrate within the broader ecosystem, comprising elements such as cloud computing, broadband access, machine-to-machine, data centres, internet of things and data analytics.

The maturity of the Australian and New Zealand telecommunications industry has resulted in strong price competition, slowed revenue growth and lower operating margins for telco operators, particularly in the retail space. Continuous evolution of technology presents transitional challenges for industry incumbents with legacy products and opportunities for new entrants.

³ Economic Intelligence Unit, Industry Report: Telecommunications Australia 1st quarter 2021.

⁴ Economic Intelligence Unit, Industry Report: Telecommunications Australia 1st quarter 2021.

⁵ BuddeComm Industry report titled 'Telecoms industry – Revenue Statistics and Forecasts' and dated 28 April 2020.

Table 12: Key telecommunications market factors

	Australia	New Zealand
Industry revenue (FY20) ¹	AU\$44.7 billion	NZ\$6.3 billion
Industry forecast revenue CAGR (FY20-FY25) ²	(0.1%)	(1.0%)
Country population ³	25.7 million	5.1 million
Concentration	High – 4 major players	High – 5 major players
Competition	High	High
Barriers to entry ⁴	High	High
Industry lifecycle stage	Mature	Mature
Regulation and policy	Strict	Strict
Technological changes	High	High

Sources: Company annual reports for Australian industry revenue; New Zealand Commerce Commission, Annual Telecommunications Monitoring Report 2020 for New Zealand revenue; Australian Bureau of Statistics and Stats NZ for country population; IBISWorld industry reports, titled 'Telecommunications Services in Australia' and dated September 2020, titled 'Wired Telecommunications Network Operation in New Zealand' and dated June 2020, and titled 'Wireless Telecommunications Carriers in New Zealand' and dated May 2020

Notes:

1. Australian industry revenue includes wholesale revenue; New Zealand industry revenue relates to retail revenue only

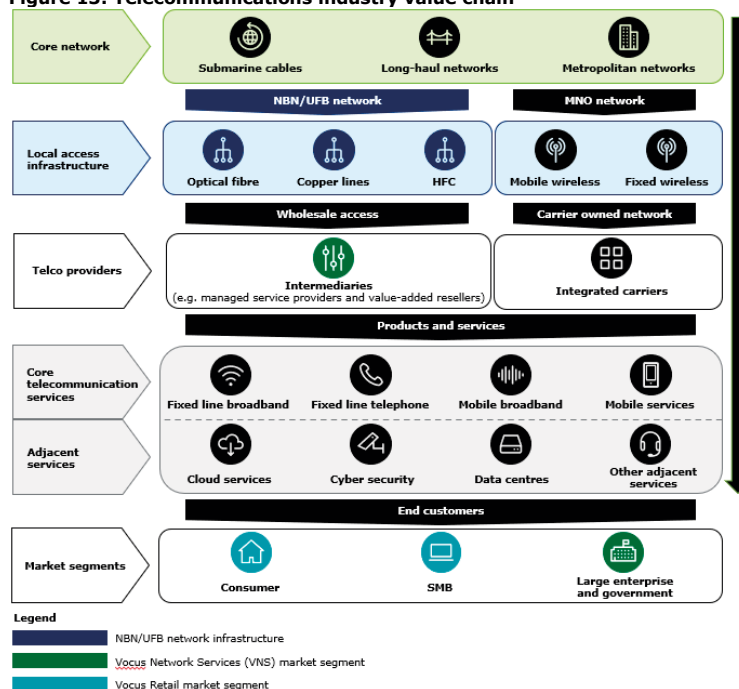
2. forecast revenue growth is in real terms

3. Australian and New Zealand country populations are as at Sep-20 and Dec-20, respectively

4. barriers to entry to the fibre broadband retail market have reduced since the national rollouts of the open-access, government regulated NBN and UFB network in Australia and New Zealand, respectively.

4.2 Structure of the industry

Telecommunication services are provided via a broad range of infrastructure spanning from submarine cables connecting Australia and New Zealand to offshore geographies to metropolitan networks in the form of fixed (i.e. fibre, copper) or wireless communication devices. The underlying services to customers are provided by both fully or partially vertically integrated operators (such as Telstra or Optus) as well as players that have been focussing on niche services or products in the value chain (for instance, Aussie Broadband a retailer of fixed line and mobile telecommunications services). An illustration of the telecommunications industry value chain is presented in the figure below.

Figure 13: Telecommunications industry value chain

Source: Deloitte analysis

Note: while a vast majority of NBN technologies have been installed using fibre optic cables, a small percentage of rural households receive NBN through satellite and fixed wireless technology.

A summary of the telco infrastructure and services is as follows:

- **Core network infrastructure** routes data between elements of the carrier's access network through switches. The exchange of this data is facilitated by high capacity optical fibre cables. Submarine cables carry data between global carriers through fibre optic cables that run across the seabed to connect land-based stations. Metropolitan networks connect urban local access infrastructure with long-haul networks, which often span great distances;
- **Wholesale arrangements** for access to backhaul fibre, submarine cables and satellite services are often sold under indefeasible rights of use agreements. Such agreements confer an ownership interest in a specified number of channels or maximum level of bandwidth of the infrastructure asset under a long-term lease. The agreements are generally paid for upfront or in instalments. Other wholesale arrangements may be billed on an on-going basis for a price per capacity utilised. Wholesale market dynamics are dependent on the number and size of telecommunication resellers in the market. Vertical industry consolidation decreases wholesale market activity;
- **Local access infrastructure** refers to the immediate connection between the carrier's network and the premises or mobile device of the end user, which is known as the 'last mile' or 'first mile' infrastructure. This could be done through optical fibre (**FTTP**), copper line (**ADSL**), hybrid fibre coaxial, mobile or fixed wireless connections;
- **Telecommunication** (telco) providers can either be intermediaries or integrated carriers. Intermediaries do not own the necessary telecommunications infrastructure to provide products and services. Intermediaries arrange wholesale access to infrastructure with infrastructure providers, such as NBN Co and integrated carriers that offer wholesale access;
- **Product and services** are supported by the core network and local access infrastructure and are provided to end customers as detailed below:

Table 13: Market segments and products

Segment	Key products	
	Core telecommunications services	Adjacent services
Consumers	<ul style="list-style-type: none"> • Broadband internet • Home phone • Mobile devices 	<ul style="list-style-type: none"> • Subscription TV • Streaming • Remote storage and back-up • Energy
Small to medium businesses (SMB)	<ul style="list-style-type: none"> • High speed data connections • Broadband internet • Phone services (including voice over IP) • Mobile devices 	<ul style="list-style-type: none"> • Web hosting • Ecommerce services • Data storage, cloud services and other IT services • Energy
Large enterprise and government	<ul style="list-style-type: none"> • High speed data connections • Internet connection • Phone services (including voice over IP) • Mobile devices 	<ul style="list-style-type: none"> • Data centres • Outsourced IT and hosted services • IT consulting and integration services • Ecommerce • Security services

Source: Company websites and annual reports.



4.3 Regulation

Australia and New Zealand have highly regulated telecommunications industries. The primary goal of the regulation is to protect the interests of consumers and promote access to affordable and innovative telecommunications products. Regulation attempts to achieve this goal by increasing industry competition and monitoring the activities of market participants. Key government bodies, regulatory agencies and legislation are outlined in Table 14 below.

Table 14: Telecommunications regulation

	Australia	New Zealand
Primary government bodies and regulatory agencies	<ul style="list-style-type: none"> The Australian Competition and Consumer Commission (ACCC), which handles matters relating to competition, mergers and acquisitions and consumer protection. The Australian Communications and Media Authority, which handles matters relating to technical issues, licencing and taxes and levies. The Communications Alliance, which develops codes and technical standards. 	<ul style="list-style-type: none"> The New Zealand Commerce Commission (NZCC), is responsible for enforcing the legislation and monitor competition. The New Zealand Telecommunications Carrier Forum, an organisation including most market players which encourages cooperation and develops standards for telecommunications equipment and services.
Key governing legislation	<ul style="list-style-type: none"> The <i>Telecommunications Act 1997</i>, which administers access to telecommunications services and regulates the activities of market players. The <i>Competition and Consumer Act 2010</i>, which regulates matters concerning competition and promotes the long-term interests of end telecommunication services users. 	<ul style="list-style-type: none"> The <i>Telecommunications Act 1987</i>, which regulates telecommunications service providers. The <i>Telecommunications Act 2001</i> (revised in 2006), which enables the NZCC to monitor competition and regulate the provision of telecommunications services (including price-setting).

Source: Government websites

Retail telecommunications providers may not own the network infrastructure required to fulfil their service offerings. These companies arrange access to network infrastructure through wholesale markets. Access can either be regulated or commercially negotiated as described in the table below.

Table 15: Regulated and commercially negotiated access to infrastructure

Access type	Description
Regulated access	<ul style="list-style-type: none"> The NBN in Australia and UFB network in New Zealand are regulated infrastructure. The maximum prices chargeable for access are determined by the ACCC in Australia and NZCC in New Zealand For the NBN and UFB networks, regulation requires that: <ul style="list-style-type: none"> NBN Co in Australia and local fibre companies in New Zealand can't discriminate against their potential customers if they are creditworthy and they comply with terms and conditions The ACCC has oversight of all of NBN Co's services while the NZCC has oversight of local fibre companies in New Zealand For local fibre companies in New Zealand, price-quality regulation, such as a revenue cap and minimum standards for service availability and network performance, and information disclosure regulation, such as mandated disclosure of profits, quality of service and expenditure, will take effect beginning in 2022.
Commercially negotiated access	<ul style="list-style-type: none"> Generally, wholesale access is commercially negotiated for DSL broadband, metropolitan and backhaul fibre, access to mobile networks, submarine cable access and satellite services.

Source: Government websites; Deloitte analysis

4.4 Competitive landscape

4.4.1 Australia

National Broadband Network

In 2009, the Australian Federal Labour government launched NBN Co with the objective of providing a wholesale-only, open-access broadband network. Originally, the initiative was expected to connect 93% of Australian premises with fibre-to-the-premises (**FTTP**) technology and the remaining premises with fixed wireless or satellite technology. These expectations were redefined in 2014 by the Liberal/National Coalition government to the extent that the NBN connections to most premises would utilise a mix of technologies, including hybrid fibre coaxial cable, fibre-to-the-curb (**FTTC**) and, fibre-to-the-node (**FTTN**), as a more cost effective roll-out.

NBN Co was established as a government enterprise to deliver the expected objectives of the NBN initiative. The government entity operates the fibre optic and copper line local access infrastructure that supports fixed line NBN broadband. NBN Co generates revenue by offering wholesale access to the infrastructure in a regulated market (refer to Table 14 for discussion of wholesale market regulation). The monopolistic characteristics of the fixed line local access infrastructure market means NBN Co has minimal direct competition. MNOs may indirectly compete with NBN Co as mobile broadband is a substitute for NBN broadband in certain areas. In New Zealand, Chorus shares a similar role in building and operating the UFB although it is a listed, regulated company (refer to section 4.4.2 New Zealand for further information).

As of February 2021, there were c. 8.0 million premises connected to a plan over the NBN network and 11.9 million premises ready to connect.⁶ By June 2024, NBN Co expect 9.0 million premises will be connected and 12.5 million premises will be ready to connect.⁷

Market players





The Australian telecommunications industry is highly concentrated with three major players (Telstra, Optus and TPG Telecom also referred to as the 'incumbents') generating c. 95% of industry revenue, leaving only c. 5% to a numerous group of emerging operators. Given the substantial capital expenditures required to operate large telco networks, the industry has been consolidating over the past decade to derive synergies, expand market share and improve competitive positioning. Recent large consolidations include the acquisition of Amaysim by Optus in February 2021 and the merger between TPG and Vodafone Hutchison Australia in July 2020.

Industry incumbents and Vocus are vertically integrated between wholesale and retail offerings and horizontally integrated across fixed, mobile and other telecommunication products. Telstra, Optus, TPG and Vocus also offer TV subscription and data bundles. Vocus bundles consumer electricity and gas services through its retail brand, Dodo.

⁶ NBN Co, February 2021 Monthly Progress Report.

⁷ NBN Co, Corporate Plan 2021.


Table 16: Four major market players in the Australian telecommunications industry

				
Financials				
Revenue FY20 (\$'m) ¹	23,710	8,954	5,522	1,400
Market share FY20 (%) ²	59.1%	22.3%	13.8%	3.5%
Products				
Broadband & data	✓	✓	✓	✓
Fixed voice	✓	✓	✓	✓
Mobile	✓	✓	✓	✓
Data centres	✓	✓	✓	✓
Electricity or gas	X	X	X	✓
Infrastructure				
Fibre-optic national network	✓	✓	✓	✓
Live 5G network	✓	✓	✓	X

Source: Deloitte analysis; Company annual reports.

Note:

1. Vocus revenue includes reported revenue for VNS and Retail and excludes New Zealand

2. market share high-level estimate based on reported industry revenue

3. TPG Telecom FY20 revenue is based on the reported pro forma full-year revenue of the merger with TPG in 2020.

Telstra

Telstra, a former Australian government enterprise, holds the dominant market position in the Australian competitive landscape. It has maintained its position as the largest telecommunications provider since its privatisation due to its incumbent position prior to industry deregulation, comprehensive range of end to end products and services and significant fixed and mobile telecommunications infrastructure portfolio.

In late 2020, Telstra announced a restructuring plan that will divide its infrastructure assets and customer-centric businesses into separate subsidiaries. Under the plan announced, the company will be divided into the following:

- **InfraCo Fixed:** will own and operate the passive fixed-line infrastructure assets, including the ducts, fibre, data centres, subsea cables and exchanges;
- **InfraCo Towers:** will own and operate the passive mobile tower network with a plan to further monetise these high-quality assets;
- **ServeCo:** will operate the customer-centric business and retain ownership of certain assets, such as spectrum holdings, radio access network equipment and fixed-line electronics equipment; and
- **Telstra International:** will control Telstra's international business, which operates in c. 20 countries.

Optus

Optus, established as the first major competitor to Telstra, is currently the second largest mobile operator and telecommunications carrier in Australia. Optus is a fully integrated telecommunications company that utilises its mobile infrastructure network as a key competitive advantage. Optus differentiates itself from most of its mobile competitors by offering a sport content subscription. In 2020, Optus Sport had 820,000 subscribers.

Similar to Telstra, Optus announced at the end of 2020 its intentions to sell its portfolio of mobile towers.

TPG Telecom

In 2020, Vodafone Hutchison Australia merged with TPG to form TPG Telecom, which is now the third largest integrated telecommunications provider in Australia. This merger combined Vodafone's presence in the mobile sector with TPG's presence in fixed-line services. TPG has the second largest voice and data network behind Telstra, the leading voice-enabled IP network and in regional Australia it operates the largest fully converged voice, data and IP-based access network.

Emerging operators

Aussie Broadband is an Australian telecommunications service provider offering services to residential customers and SMEs, including broadband, voice over IP, mobile plans, entertainment bundles and data centres. It mainly competes with the Retail segment of Vocus. Aussie Broadband is Australia's fifth largest provider of NBN services, connecting over 300,000 residential and business customers across Australia. Aussie Broadband was listed on the ASX in October 2020. Aussie Broadband is intending to roll-out its own dark fibre network by 2022, which will reduce its reliance on third-party infrastructure and reduce leased backhaul and dark fibre costs.

Macquarie Telecom is an Australian telecommunications company offering data, voice, mobile, cloud hosting, and cybersecurity services to mid-large businesses and government customers. In 2018, Macquarie Telecom launched a data centres business unit.

MyRepublic is a Singaporean telecommunications provider that launched in 2011 and operates in Singapore, Australia and New Zealand. In Australia, it operates as a value-added reseller and provides fibre broadband through the NBN network to consumers and businesses.

4.4.2 New Zealand**Ultra-Fast Broadband**

In 2009, the New Zealand government launched the UFB initiative. Like the NBN, the UFB network is a wholesale-only, open-access broadband network. Initially, the objective of the UFB was to connect 75% of premises with FTTP by 2019. This objective was achieved and expanded to deliver FTTP to 87% of premises by 2022.

The New Zealand government set up Crown Fibre, a special purpose government entity, to manage the UFB project and utilised a public-private-partnership tender process to select four partner companies to deploy the UFB network. These companies are Chorus, Enable Networks, Ultra Fast Fibre and Northpower Fibre.

The UFB differs from the NBN as the UFB connects fibre directly to premises (**FTTP**) whereas the NBN connects to premises with a mix of technologies, including HFC, FTTC, FTTN and FTTP depending on the legacy infrastructure in place. FTTP generally provides the fastest broadband speeds compared to utilising a mix of technologies.

In December 2020, 1.1 million premises were connected to the UFB, equating to 63% of those with access. By December 2022, the New Zealand government plans for over 1.8 million premises to have access to UFB.⁸

Market players

Spark, Vodafone New Zealand, Vocus and 2degrees are the primary retail fixed line broadband providers in New Zealand. Spark and Vodafone New Zealand are the largest MNOs, while Chorus owns and operates the substantial telecommunications infrastructure within New Zealand.

⁸ Crown Infrastructure Partners, Quarterly Connectivity Update, Q4 2020.

Deloitte.

Table 17: Major players in the New Zealand telecommunications industry

					
Financials					
Revenue FY20 (\$'m) ¹	3,388	1,340	595	378	897
Market share FY20 (%) ²	50.2%	19.9%	8.8%	5.6%	13.3%
Products					
Broadband & data	✓	✓	✓	✓	✓
Fixed voice	✓	✓	✓	✓	✓
Mobile	✓	✓	✓	✓	X
Data centres	✓	✓	✓	✓	✓
Electricity or gas	X	X	X	✓	X
Infrastructure					
Fibre-optic national network	✓	✓	X	✓	✓
Live 5G network	✓	✓	X	X	X

Deloitte analysis; Company annual reports

Notes:

1. reported NZD revenue of Spark and Chorus for the year ended 30 June 2020 translated at an AUD/NZD average exchange rate of 0.9351. Reported NZD revenue of Vodafone for the year ended 30 March 2020 translated at an average AUD/NZD exchange rate of 0.9689. Reported USD revenue of 2degrees for the year ended 31 December 2020 translated at an AUD/USD average exchange rate of 1.2962. Average exchange rates are per CapitalIQ

2. market share high-level estimate based on reported industry revenue

3. Chorus is shown separately because it is a regulated wholesale provider, providing services to internet service providers, who in turn offer services to retail customers.

Similar to Australia, the New Zealand telecommunications industry has experienced several consolidation plays. While some mergers and acquisitions have occurred to increase customer base and market share, others have taken place to expand service offerings and enhance capability. The major players are widening their scope of telecommunications services and venturing into new channels such as digital services, television, sports streaming and energy.

New entrants and smaller retail service providers have gained significant broadband market share in New Zealand. The structural separation in the industry and the rollout of the UFB has levelled the competitive landscape and allowed more providers to offer broadband services, consequently fragmenting the sector. Several of these providers have greater operations in alternative services, such as energy, and have implemented bundling to offer a combination of both services and increase their number of connections.⁹

Spark

Spark is the market leader in the New Zealand telecommunications industry. Spark's mobile assets and partnerships with established content providers, such as Netflix, SKY and Spotify, are a key differentiator.

Vodafone New Zealand

Vodafone is the second largest integrated telecommunications operator in New Zealand. It owns a range of network assets such as its cable network, national mobile network, 5G cell sites and low-power internet of things networks.

Chorus

Chorus is New Zealand's leading telco infrastructure company. It is responsible for the majority (c. 70%) of the UFB network and the copper network still present in New Zealand. Chorus was demerged from Spark (previously Telecom New Zealand) in 2011, which was the condition to win the majority of the

⁹ IDC – New Zealand Telecommunications Competitive Landscape, 2020.



New Zealand government's UFB contracts. By law, Chorus cannot sell directly to customers and must instead provide wholesale services to retailers.

Chorus shares a common objective with Australia's NBN Co, that is, to build and operate a government-mandated fibre optic broadband network nationally. However, Chorus is publicly owned and listed company while NBN Co is an Australian government enterprise.

2degrees

In 2015, 2degrees acquired Snap and solidified its position as a challenger brand. The mobile company's acquisition of the fixed-line telecommunications company with a strength in broadband, facilitated its expansion to a full-service provider. 2degrees' enterprise market struggles to compete with Spark and Vodafone due to its less extensive product range and lack of partnerships. These are key factors that the other top players possess.

4.5 Outlook and key trends

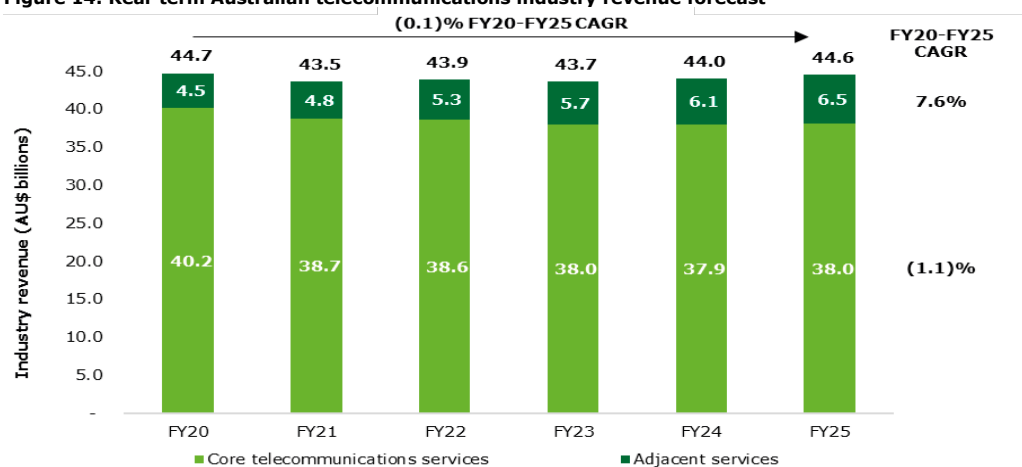
In Australia, New Zealand and globally, government response measures to the COVID-19 pandemic, such as lockdowns, have resulted in people spending more time at home for work and leisure. Telecommunication services proved to be essential through the lockdowns to support online work and leisure activities. Telecommunication networks have coped with the increased traffic although some operators have reported 20% to 60% increases in network traffic, correlating with the severity of government ordered lockdowns.¹⁰ This has subsequently brought forward investment in network capacity for some of the major players in the telecommunications industry, including Telstra.¹¹

COVID-19 did accelerate the change in the consumption model for the enterprise market, the move to hybrid networks and edge computing (which requires vastly improved network and applications) and the need for increased security and risk management – which in turn will drive the growth in the adjacent services telecommunication market for the foreseeable future. The overall Australian and New Zealand telecommunications market is nonetheless expected to decline between 2020 and 2025, primarily driven by lower demand for traditional high margin voice services, increased competition and data price erosion which is affecting the core telecommunications services market.

Forecast real-term revenue through to FY25 for the Australian and New Zealand telecommunications industries are presented in Figure 14 and Figure 15 below.

¹⁰ Deloitte Touche Tohmatsu article, titled 'Four futures for telcos after COVID-19'.

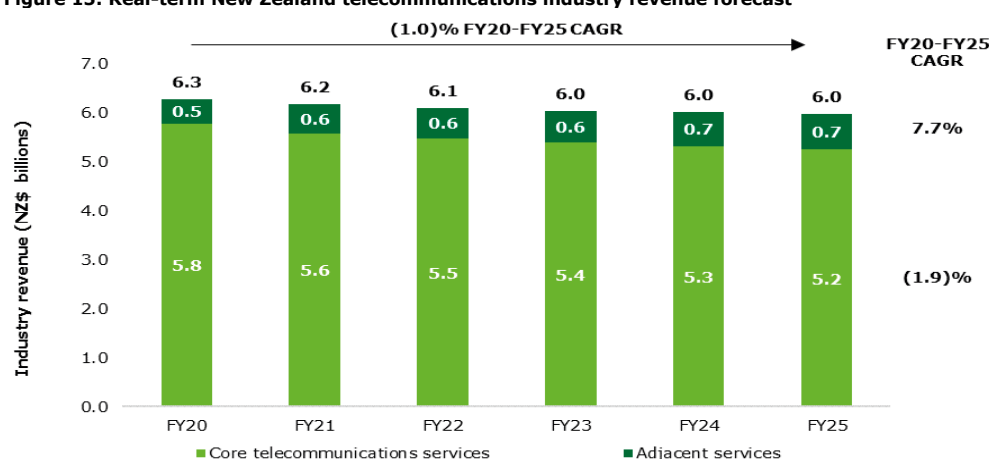
¹¹ Deloitte Touche Tohmatsu article, titled 'Four futures for telcos after COVID-19'.

Figure 14: Real-term Australian telecommunications industry revenue forecast

Source: IBISWorld industry reports, titled 'Telecommunications Services in Australia' and dated September 2020, titled 'Data Processing and Web Hosting Services in Australia' and dated August 2020, titled 'Data Storage Services in Australia' and dated August 2020, and titled 'Internet Service Providers in Australia' and dated December 2020.

Notes:

1. revenue forecast presented on a real term basis. NBN Co wholesale revenue and internet service provider revenue are included in 'Core telecommunications services'
2. numbers may not add due to rounding.

Figure 15: Real-term New Zealand telecommunications industry revenue forecast

Source: IBISWorld industry reports, titled 'Wireless Telecommunications Carriers in New Zealand' and dated May 2020, titled 'Wired Telecommunications Network Operation in New Zealand' and dated June 2020, titled 'Other Telecommunications Services in New Zealand' and dated July 2020, and titled 'Data Processing and Web Hosting Services in New Zealand' and dated March 2021.

Notes:

1. revenue forecast presented on a real term basis. NBN Co wholesale revenue and internet service provider revenue are included in 'Core telecommunications services'
2. numbers may not add due to rounding.

Given the similarities between Australian and New Zealand telecommunications industries, the industries broadly share a common outlook and trends:

- growth in the telecommunications industry in Australia and New Zealand is expected to continue to remain low, driven by price competition (especially from the emerging operators) and population growth. In Australia, the industry's revenue is expected to decline at an annual real negative rate of 0.6% from FY21 to FY26.¹² However, the high price competition may gradually diminish as incumbents shift focus from market share retention to profitability.¹³ Scale (especially for NBN) and

¹² IBISWorld industry report, titled 'Telecommunications Services in Australia' and dated September 2020

¹³ IBISWorld industry report, titled 'Telecommunications Services in Australia' and dated September 2020.



breadth of services will continue to be a major factor for customer retention and margin improvement;

- fixed to mobile substitution will remain a major trend in the retail segment due to customers' preference for mobility, increased mobile data consumption and continued decrease in mobile services prices compared to fixed services prices. Advancing technology will facilitate greater data consumption and lead to new products and services, which will cater to customers preferences. As network technology advances and the price of mobile data decreases, the number and range of devices connected to the internet will continue to rise;
- telecommunications infrastructure will continually be upgraded to satisfy increasing data consumption demands. Owners of infrastructure may face lower costs when upgrading compared to resellers that have to comply with wholesale agreements for fixed prices per unit of capacity. New challengers may enter the retail broadband market as wholesale open access to the NBN and UFB networks lower the barrier to market entry. New competitors will likely compete on price to gain market share. Incumbents will need to manage the transition from legacy to modern technology while defending their market share from new competitors and protecting their operating margins;
- 4G networks are still dominating the mobile market as revenue generated by MNOs is currently characterised by the continued adoption of long-term evolution (also known as LTE) technology-based services and the increasing percentage share of mobile data. As 5G network coverage increases, 5G compatible mobile devices will become more prevalent. MNOs are expected to expand their 5G fixed wireless service to capture poor performing NBN regions. Enterprise and government customers will increasingly utilise private 5G networks and LEO satellites in operational technology applications. Next-generation wireless technology may enable new industries or be used in unanticipated applications to an extent currently unknown. These two technologies are further discussed below:

5G technology

- 5G is the fifth generation of broadband cellular network technology. It offers significant performance improvements over 4G, including faster speeds, low latency and increased data capacity.¹⁴ 5G is considered a potentially superior alternative to fixed-line home broadband due to its comparable performance to FTTP and comparatively lower infrastructure costs;
- in Australia, the 5G networks of Telstra, Optus and TPG Telecom are live and covering most metropolitan areas and more than 50% of the Australian population. Telstra leads in 5G network coverage and plans to expand its coverage to include 75% of the Australian population by mid-2021.¹⁵ In New Zealand, Spark and Vodafone have live 5G networks while 2degrees has announced its plan to have a live 5G network by the end of 2021.

LEO satellites

- LEO satellite technology offers a potential next-generation wireless connectivity solution for remote sites where fixed line and fixed wireless infrastructure is unavailable or inadequate, such as in regional and rural areas. LEO technology may also compete with fibre assets and 5G for use in operational technology applied in sectors such as defence, mining, transport, logistics and asset management;
- historically, communication satellites have primarily been wide-beam geostationary equatorial orbit satellites, which typically provide a large service coverage area. Compared to these, the closer proximity of LEO satellites to Earth offers lower latency and faster speeds. As LEO satellites move quickly across the sky, a large combination of LEO satellites (known as a constellation) are needed to provide constant coverage. Additional ground infrastructure is also required, including tracking antenna systems and a high number of satellite ground stations;
- SpaceX is a leading player in the LEO satellite market. Its LEO satellite constellation, Starlink, was comprised of c. 1,200 Starlink satellites as of March 2021.¹⁶ While LEO satellite technology is not yet in commercial use in Australia or New Zealand, an opportunity is available for wireless telecommunication carriers that can provide the satellite ground station infrastructure and backhaul network required to support LEO satellite coverage. This will provide opportunity for fibre network owners such as Vocus to provide the backhaul as it does have an extensive regional fibre optic network in place in regional Australia.

¹⁴ Technology, Media and Telecommunications Predictions 2021 - Australian edition, Deloitte Touche Tohmatsu.

¹⁵ Telstra company website.

¹⁶ The Sydney Morning Herald article, titled 'Elon Musk's Starlink poised to shake up Australia's broadband' and dated 2 April 2021.



5 Valuation methodology

In determining the fair market value of the equity in Vocus, Deloitte has assessed the enterprise value of its individual business segments (being VNS, Vocus Retail and Vocus NZ), together with any surplus assets and less any surplus liabilities and net debt. The value of the business segments was determined using the earnings multiple method. In addition, we have considered an indicative discounted cash flow analysis to cross-check the reasonableness of our valuation conclusion.

Refer to Appendix 2 for a detailed discussion on the various valuation methodologies which can be adopted in valuing corporate entities and businesses.

5.1 Earnings multiple methodology

In selecting the earnings (EBITDA) multiple methodology to value Vocus, we have considered the following factors:

- Vocus has recently completed its three-year turnaround strategy (announced in July 2019 and completed in early 2021). As part of this, Vocus separated its operations into three segments which now operate relatively autonomously. This therefore enables a consistent analysis of the three business segments on an individual basis over the past two years;
- each business segment has shown a relatively consistent pattern of historical earnings over the past two years. VNS has demonstrated growth in both recurring revenue and earnings, Vocus Retail has shown a declining earnings pattern and Vocus NZ has shown steady growth in revenue and stable margins. However, as the turnaround strategy is largely complete, each of these business segments appear to be on track to deliver earnings which are broadly in line with their normalised short-term forecasts;
- Management has provided public guidance on a key measure of earnings for the group, EBITDA. Furthermore, there is extensive broker coverage of Vocus with most brokers providing an estimate of the company's earnings forecast and general outlook;
- there is an adequate number of precedent transactions and publicly listed companies with operations sufficiently similar to those of the business segments of Vocus to provide a meaningful comparison on an earnings basis;
- whilst the DCF method is a robust methodology to value the business segments of Vocus, the number of assumptions required to use this methodology is far larger than those required by the earnings multiple method. We have cross-checked our valuation conclusion using this method under several cash flow projection scenarios.

Our valuation of Vocus using an earnings multiple method is presented in section 6.2.

5.2 Cross-check analysis

We have used the discounted cash flow method to provide additional evidence of the fair market value of the equity in Vocus. The discounted cash flow method estimates market value by discounting a company's future cash flows to their net present value. Our analysis involved the development of several scenarios, taking into account Management's internal projections, broker consensus and industry trends.

Our valuation cross-check using the discounted cash flow methodology is presented in section 6.3.

6 Valuation of Vocus

6.1 Valuation summary

Deloitte has estimated the current fair market value of the equity in Vocus (on a control basis) to be in the range of \$3.1 billion to \$3.5 billion. This implies a value per share ranging from \$4.98 to \$5.60.

We have valued Vocus as a sum-of-the-parts by adopting the earnings multiple method for each Vocus business segment. We have adopted FY21 EBITDA as our basis of earnings.

Table 18: Valuation of a share in Vocus

	Section	Unit	Low	High
VNS				
Selected FY21 EBITDA		\$'million	255	255
EBITDA multiple		times	13.0x	14.0x
Enterprise value of VNS		\$'million	3,315	3,570
Vocus Retail				
Selected FY21 EBITDA		\$'million	62	62
EBITDA multiple		times	6.0x	7.0x
Enterprise value of Vocus Retail		\$'million	372	434
Vocus NZ				
Selected FY21 EBITDA		\$'million	68	68
EBITDA multiple		times	8.5x	9.5x
Enterprise value of Vocus NZ		\$'million	578	646
Enterprise value of Vocus		\$'000	4,265	4,650
Less: net debt	Section 6.2.3	\$'million	(1,166)	(1,166)
Equity value of Vocus		\$'million	3,099	3,484
Fully diluted number of shares	Section 6.2.4	million	622	622
Value per share in Vocus		\$	4.98	5.60

Source: Deloitte analysis

6.2 Earnings multiple method

6.2.1 Selected earnings

We have selected FY21 segment EBITDA (on a post AASB 16 basis) as the level of earnings for each segment. The selected FY21 EBITDA for each of the business segments (as set out in the table below) has been determined having regard to historical results, year-to-date performance, forecast guidance for Vocus for FY21 as well as broker consensus forecasts for each of the business segments.

Table 19: Summary of selected FY21 EBITDA by segment

Business segment	Selected FY21 EBITDA (\$'m)
VNS	255
Vocus Retail	62
Vocus NZ	68

Source: Deloitte analysis



Measure of earnings selected

In selecting EBITDA as an appropriate measure of earnings, we have had regard to the fact that earnings multiples based on EBITDA are less sensitive to the different financing structures, depreciation and amortisation accounting policies and effective tax rates compared to earnings multiples based on EBIT or NPAT.

As noted above, our selected FY21 EBITDA is on a post AASB 16 basis. We recognise that the use of EBITDA multiples may pose some challenges associated with the relatively recent adoption of AASB 16 by Australian companies (as well as offshore companies reporting under broadly similar accounting standards). From a valuation perspective, the equity value of a company should not change following the implementation of AASB 16 as there is no change to the underlying cash flows available for distribution to equity holders. However, adopting AASB 16 will result in the company's net debt and EBITDA increasing. EBITDA increases due to lease expenses, previously classified as operating expenses, being shifted to financing costs and amortisation expense, both of which sit below the EBITDA line. Net debt increases (and therefore enterprise value) increases due to capitalisation of the recognition of a lease liability, which is considered financial debt. Generally (although there are notable exceptions to this) a company will exhibit a lower implied EBITDA multiple on a post AASB 16 basis when compared to a pre AASB 16 basis.

In analysing historical segment EBITDA for valuation purposes, we have adjusted each business segment's FY19 EBITDA to be on a post AASB 16 basis. The introduction of AASB 16 took place on or after 1 January 2019 and therefore Vocus' FY20 reported EBITDA is already on a post AASB 16 basis. With respect of forecast FY21 broker consensus EBITDA for the segments, we have reviewed the basis upon which each broker derived their forecast and made adjustments where appropriate in order to derive equivalent forecast on a post AASB 16 basis.

Selected FY21 EBITDA

In selecting an appropriate level of FY21 EBITDA for the business segments, we have considered the following factors:

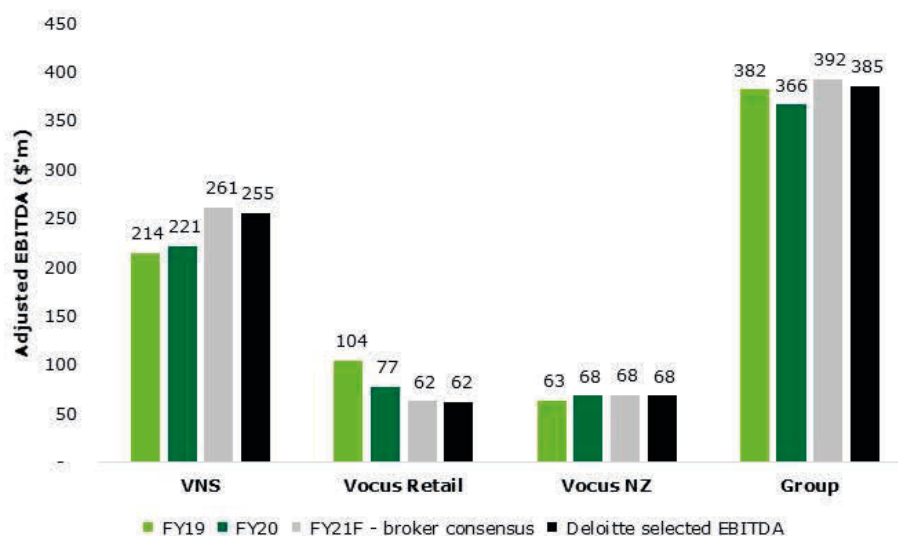
- FY21 EBITDA is the most up-to-date, albeit estimated, indicator of the financial performance of Vocus and each business segment, with actual results up to December 2020 covering half of the financial year and therefore providing a greater degree of certainty regarding the level of earnings and requisite adjustments. On 28 October 2020, in the 2020 Annual General Meeting speeches released to the ASX, Management announced the underlying FY21 EBITDA guidance for Vocus to be in the range of \$382 to \$397 million, which included a \$22 million benefit from the adoption of AASB 16. In February 2021, Management updated their expectations of a 10% to 12% (up from 8% to 12%) growth in the underlying EBITDA of VNS;
- although we have analysed each business segment's financial performance for FY19 and FY20, we have placed less reliance on those earnings because the impact of the turnaround strategy was not fully reflected in the historical results;
- Vocus has been publicly reporting its financial performance by business segment, including an allocation of corporate overheads and comprehensive commentary as to their initiatives and strategic direction. Nevertheless, it is noted that VNS and Vocus Retail operate with a degree of synergies which are reflected in the business segment's underlying financial performance. Since the purpose of our analysis is to assess the fair market value of Vocus as a whole, we have determined it appropriate to also capture such synergies in our valuation of the equity of Vocus;
- broker consensus indicates an average FY21 EBITDA of c. \$392 million, which lies within the FY21 EBITDA guidance range provided by Management. This estimate has been based on 5 brokers which provided both an estimate of earnings at group and segment level. We note that we have not considered the five additional brokers which only provided estimates at group level, noting that the difference in the average FY21 EBITDA is immaterial;
- we note that the underlying EBITDA guidance provided by management includes certain costs that are unlikely to be sustained under a change of control scenario (e.g. ASX listing fees, certain insurance costs, share registry fees, ASIC fees, investor relation costs and fees relating to a half year review). On the other hand, it also excludes costs that are, in our view, considered to be recurring, such as management incentive remuneration. Although this cost is likely to be substantial (refer to section 3.5), as the historical incentive plan was focussed on the turnaround strategy of Vocus, we consider it to be excessive in normal circumstances because the turnaround strategy is now largely complete. We have assumed that the cost savings realisable on a change of control scenario and a reduction in the level of management compensation would largely offset each other. For completeness, we have treated the impact of the current long term incentives as a net debt adjustment (refer to section 6.2.3);



- as largely disclosed by management in a number of investor presentations, the underlying EBITDA reported by Vocus excludes the impact of certain abnormal non-cash items. In particular, we refer to the unwinding of historical non-current deferred revenues and onerous provisions which arose in 2016 and 2017 as part of the acquisition of Amcom and Nextgen. Whilst it is common in this industry to report deferred revenues (both current and non-current), the size of these adjustments is somewhat abnormal (c. \$14.8 million in FY21). Having regard to similar adjustments observed for comparable companies (we considered a number of financial ratios implied by non-current deferred revenue unwinding), and the limited residual life and diminishing amount of these items, we have reduced the FY21 EBITDA of Vocus by \$5 million. Since these contracts relate exclusively to VNS, we have made this adjustment to VNS EBITDA only.

A summary of the key data points referred to, together with our selected FY21 EBITDA for each segment, is set out in the chart below.

Figure 20: Normalised historical and forecast EBITDA



Source: Annual reports, 1H21 half year report, ASX releases, Broker reports, Deloitte analysis

Notes:

- FY19 actual EBITDA has been restated on a post AASB 16 basis for comparison purposes. We assumed the impact of AASB 16 in FY19 to be \$24 million at the group level. In order to present business segments EBITDA on a post AASB 16, we allocated the assumed AASB 16 impact to the business segments in line with Management allocation in FY20, detailed in the note below
- FY20 actual EBITDA by segment are presented post AASB 16 adjustment of \$22 million and the allocation of AASB 16 impact to each business segment was based on Management allocation of 65% to VNS, 23% to Vocus Retail and the remaining 12% to Vocus NZ
- FY21F reflects the average FY21 EBITDA on a post AASB 16 basis published in 5 broker reports adjusted for corporate costs which have been allocated based EBITDA contribution of each business segment
- selected EBITDA for VNS has been adjusted for \$5.0 million historic deferred revenue as detailed in the paragraph above 'FY21 EBITDA estimate'.

Selected VNS EBITDA

We have selected an FY21 EBITDA of \$255 million for the purposes of our valuation of VNS. In selecting our FY21 EBITDA, we have had regard to the FY19, FY20 and 1H21 EBITDA (previously presented in Table 7), broker consensus for FY21 (previously presented in Table 11) and our analysis of VNS and the market. A collation of this data is presented in the table below.

**Table 21: VNS EBITDA**

	FY19	FY20	1H21	FY21 average broker consensus	FY21 selected EBITDA
Recurring revenue	590	626	340		
Large infrastructure revenue	120	26	1		
Total revenue	710	652	342	686	
<i>Total revenue growth/(decline) %</i>	<i>23.3%</i>	<i>(8.2%)</i>	<i>3.1%</i>	<i>5.3%</i>	
<i>Recurring revenue growth/(decline) %</i>	<i>4.7%</i>	<i>6.1%</i>	<i>11.3%</i>	<i>n/a</i>	
Underlying EBITDA (pre AASB 16) ²	203	223	120		
AASB 16 impact	16 ³	14	8		
Underlying EBITDA (post AASB 16)	219	237	129	264	
<i>Underlying EBITDA margin % (post AASB 16)</i>	<i>30.8%</i>	<i>36.4%</i>	<i>37.7%</i>	<i>38.5%</i>	
One-off adjustments	(1)	(13)	(3)	n/a ⁴	
Corporate costs allocation	(3)	(3)	(1)	(3)	
Adjusted EBITDA (post AASB 16)	214	221	125	261	260
<i>Adjusted EBITDA margin %⁵</i>	<i>30.4%</i>	<i>34.3%</i>	<i>36.8%</i>	<i>38.1%</i>	<i>n/a</i>
<i>Amcom/Nextgen contracts in FY21⁶</i>					(5)
Selected EBITDA (post AASB 16)					255

Source: Annual reports, 1H21 half year report, Management, ASX releases, broker reports, Deloitte analysis

Notes:

1. 1H21 revenue growth is based on the prior comparative period
2. underlying EBITDA is post corporate cost allocation but pre AASB 16 – refer to Table 7
3. FY19 AASB 16 impact is based on \$24 million allocated to the business segments based on FY20 Management allocation
4. we have not identified any one-off items in the broker reports that should be normalised
5. adjusted EBITDA margin is based on revenue post one-off adjustments
6. abnormal revenue related to the unwind of historic deferred revenue
7. numbers may not add due to rounding.

The strong revenue growth in FY19 (23.3%) is mainly driven by large infrastructure revenue which is not recurring by nature as well as a deliberate shift by VNS to focus on higher-value enterprise customers (particularly in the health care, mining, resources and utilities sectors) and government customers. Virtually all of VNS revenues are recurring,¹⁷ making its short-term earnings relatively predictable. We consider this to be a feature of broadly similar businesses given the capital intensive nature of its operations and the requirement to enter into long-term contractual arrangements with customers in order to make the VNS investments financially viable. Having regard to the recurring nature of the underlying revenue and the momentum of VNS over the past two years,¹⁸ we consider it reasonable to assume VNS' revenue will continue to grow its revenues (as supported by broker consensus), thereby having a positive impact to EBITDA in the short-term, all things equal.

From FY19 through to 1H21, the underlying VNS EBITDA margin continued to improve, largely driven by an increase in higher-value enterprise customers (described above). We expect VNS to be able to maintain this margin in the short-term as it continues to target the enterprise and government sectors. This, in theory, should see the VNS EBITDA margin continue to increase. However, Management's strategy to grow adjacent services (such as infrastructure as a service, unified communications and cloud services) – which only currently represent a minor part of the operations of VNS – could partially offset any margin improvement in the medium to long-term given the lower-margin nature of adjacent services. Whilst adjacent services are lower margin offerings, they also require less capex – this could result in a slightly less capital-intensive VNS business over time. On balance, the EBITDA margin for FY21 is likely to be broadly comparable to the average EBITDA margin achieved in FY20 and 1H21, consistent with the average broker consensus of c. 38.0%.

¹⁷ In FY20 and 1H21, 96% and 100%, respectively, of total VNS revenues were recurring.

¹⁸ New enterprise customers won in FY20 include Federal Government contracts.



We have adjusted the underlying VNS EBITDA for the following items in order to arrive at our "normalised" EBITDA:

- one-off adjustments: these relate to normalisation of one-off items including one off deals, legal fees, release of make-good and employee provisions that are not expected to be recurring;
- corporate costs allocation: FY19 and FY20 EBITDA for Vocus and FY21 broker consensus include c. \$4.5 million of unallocated corporate costs which relate to the CEO and board costs. We have fully allocated these costs to VNS and Vocus Retail based on Management's allocation of group services costs, which we consider to be an appropriate basis as it likely will correspond to the level of time and effort spent on each business segment. These costs have not been allocated to Vocus NZ on the basis that Vocus NZ is largely independent of the Australian operations and, in any case, any allocation of costs to Vocus NZ would not have a material impact to our valuation of VNS, Vocus Retail or Vocus NZ;
- abnormal contracts adjustments: as set out above, we have reduced the FY21 EBITDA by \$5 million to reflect the impact of certain historical non-cash items relating to the Amcom and Nextgen acquisitions which are expected to impact the reported EBITDA over the following years.

Having regard to the factors above, we have selected a FY21 EBITDA of \$255 million for the purposes of our valuation of VNS.

Selected Vocus Retail EBITDA

We have adopted a FY21 EBITDA of \$62 million for the purposes of our valuation of Vocus Retail. In selecting our FY21 EBITDA, we have had regard to the FY19, FY20 and 1H21 EBITDA (previously presented in Table 8), broker consensus for FY21 (previously presented in Table 11) and our analysis of Vocus Retail and the market. A collation of this data is presented in the table below.

Table 22: Vocus Retail EBITDA

	FY19	FY20	1H21	FY21 average broker consensus	FY21 selected EBITDA
Consumer	610	590	300		
Business	159	116	43		
Other revenue	57	42	17		
Total revenue	826	748	360	713	
<i>Total revenue growth/(decline) %</i>	<i>(15.2%)</i>	<i>(9.4%)</i>	<i>(5.8%)¹</i>	<i>(4.7%)</i>	
Underlying EBITDA (pre AASB 16) ²	103	80	31		
AASB 16 impact	3 ³	3	1		
Underlying EBITDA (post AASB 16)	106	83	33	64	
<i>Underlying EBITDA margin % (post AASB 16)</i>	<i>12.8%</i>	<i>11.1%</i>	<i>9.1%</i>	<i>9.0%</i>	
One-off adjustments	(0)	(4)	-	n/a ⁴	
Corporate costs allocation	(2)	(2)	(1)	(1)	
Adjusted EBITDA (post AASB 16)	104	77	33	62	62
<i>Adjusted EBITDA margin %</i>	<i>12.6%</i>	<i>10.3%</i>	<i>9.3%</i>	<i>8.8%</i>	<i>n/a</i>

Source: Annual reports, 1H21 half year report, Management, ASX releases, broker reports, Deloitte analysis

Notes:

1. 1H21 revenue growth is based on the prior comparative period

2. underlying EBITDA is post corporate cost allocation but pre AASB 16 – refer to Table 8

3. FY19 AASB 16 impact is based on \$24 million allocated to the business segments based on FY20 Management allocation

4. we have not identified any one-off items in the broker reports that should be normalised

5. numbers may not add due to rounding.

Vocus Retail has shown a pattern of declining revenue from FY19 through to 1H21, driven by the decline of stand-alone voice and ADSL broadband services (described as "legacy products") primarily for SMB customers, as customers migrate to fixed-price NBN and mobile services (described as "current products"). This is consistent with observable industry trends and is expected to continue.



We note, however, that revenue for 1H21 declined by 5.8%, relative to 1H20, an improvement to the decline of 9.4% for FY20 relative to FY19 mainly due to:

- the migration to the NBN in key markets being almost complete. Vocus Retail's EBITDA margin which has been declining due the transition from higher margin legacy products to the lower margin current products is expected to stabilise as the transition from ADSL to fixed-price NBN and mobile services is slowing down;
- Management's strategy to bundle broadband, energy and mobile services, which has helped maintain profitability and reduce customer churn.

We have adjusted Vocus Retail's underlying EBITDA in order to arrive at our selected EBITDA in the same way as VNS. Vocus Retail one-off adjustments largely resulted from release of provisions.

Based on the above considerations, we have selected an FY21 EBITDA of \$62 million for the purposes of our valuation of Vocus Retail. We note that the brokers have estimated Vocus Retail's FY21 forecast EBITDA could range from \$60 million to \$66 million.

Selected Vocus NZ EBITDA

We have adopted a FY21 EBITDA of \$68 million for the purposes of our valuation of Vocus NZ. In selecting our FY21 EBITDA, we have had regard to the FY19, FY20 and 1H21 EBITDA (previously presented in Table 9), broker consensus for FY21 (previously presented in Table 11) and our analysis of Vocus NZ and the market. A collation of this data is presented in the table below.

Table 23: Vocus NZ EBITDA

	FY19	FY20	1H21	FY21 average broker consensus	FY21 selected EBITDA
EGW	123	128	60		
Consumer & SMB	233	250	136		
Total revenue	356	378	196	392	
Total revenue growth/(decline) %	6.3%	6.2%	3.9% ¹	3.6%	
Organic growth/(decline) %	6.3%	5.7%	(1.0%)	n/a	
Underlying EBITDA (pre AASB 16) ²	59	62	32		
AASB 16 impact	5 ³	5	2		
Underlying EBITDA (post AASB 16)	64	67	33	68	
Underlying EBITDA margin % (post AASB 16)	17.9%	17.7%	17.0%	17.4%	
One-off adjustments	(1)	1	-	n/a ⁴	
Adjusted EBITDA (post AASB 16)	63	68	33	68	68
Adjusted EBITDA margin %	17.7%	18.0%	17.0%	17.4%	n/a

Source: Annual reports, 1H21 half year report, Management, ASX releases, Broker reports, Deloitte analysis

Notes:

1. 1H21 revenue growth is based on the prior comparative period, however, based on constant currency analysis, 1H21 revenue increased by 5.2% (EGW -6.3%, Consumer and SMB +11.2%)

2. underlying EBITDA is post corporate cost allocation but pre AASB 16 – refer to Table 9

3. FY19 AASB 16 impact is based on \$24 million allocated to the business segments based on FY20 Management allocation

4. we have not identified any one-off items in the broker reports that should be normalised

5. numbers may not add due to rounding.

Vocus NZ has shown 5-6% annual revenue growth over the past two years, driven by growth in consumer broadband and energy in conjunction with the inclusion of Stuff Fibre. 1H21 revenue includes a full six-month contribution from Stuff Fibre. Excluding the impact of the Stuff Fibre acquisition, organic revenue growth was a negative 1.0% in the underlying business in 1H21 in comparison to 1H20, primarily driven by decline in EGW due to the loss of a large contract in FY20.

FY21 Consumer and SMB revenue is expected to increase, reflecting the full year impact of Stuff Fibre and modest market share and ARPU growth. The arrival of Microsoft, Google and Amazon in the New Zealand market is also expected to drive an uptake in fibre and services.

There is growth potential for Vocus NZ through opportunities to increase its market share (it currently holds the number four position in the New Zealand telco market) and a moderate forecast population



growth of 0.5% to 1.0%.¹⁹ On this basis, we expect FY21 revenue growth will be in line with brokers expectations, which are currently for FY21 revenue of between \$388 million to \$399 million, implying a revenue growth rate ranging from 3% to 5%.

Vocus NZ has historically exhibited a stable 17-18% post AASB 16 EBITDA margin, which we don't expect to materially differ in FY21.

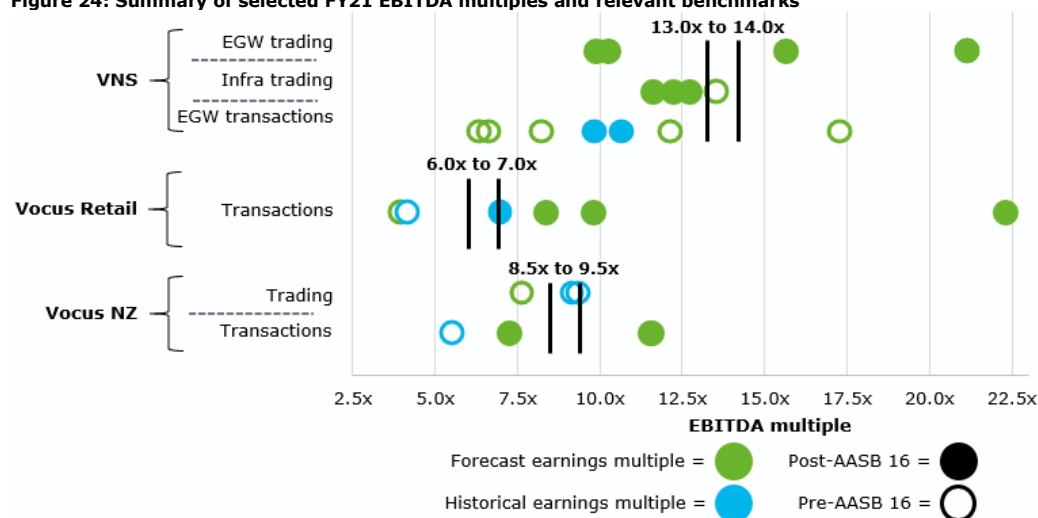
We have adjusted the underlying EBITDA for Vocus NZ in order to arrive at our selected EBITDA by adding back one-off adjustments primarily relating to the release of over-provided employment costs.

Based on the above considerations, we have selected an FY21 EBITDA of \$68 million for the purposes of our valuation of Vocus NZ. We note that brokers estimated Vocus NZ's FY21 EBITDA ranges from \$67 million to \$70 million.

6.2.2 Earnings multiple

We have selected the following earnings multiple ranges (on a control basis) to capitalise the selected FY21 EBITDA of the business segments.

Figure 24: Summary of selected FY21 EBITDA multiples and relevant benchmarks



Source: Deloitte analysis

Notes:

1. the IPO and trading multiple of Aussie Broadband is excluded from the chart above as we do not consider it comparable to Vocus Retail
2. LBNCo transaction is included twice in the category EGW transactions to show historical and forecast EBITDA multiple.

The selection of an earnings multiple, while somewhat subjective, relies on available market evidence of trading in similar businesses/securities and an assessment of their growth prospects and risks relative to the subject business. In identifying relevant market valuation benchmarks for the business segments of Vocus, we have considered earnings multiples derived from the share trading of comparable listed companies, as well as from businesses acquired with operations that are broadly similar to those of Vocus.

Our selected multiple ranges reflect our professional judgement having regard to a broad range of factors including the following:

- the recent completion of the three-year turnaround strategy and expected high growth of VNS, stabilisation of Vocus Retail and moderate growth of Vocus NZ in FY21 as described in the previous section;
- VNS is likely to attract a higher multiple based on its leading position as a specialist fibre and network solutions provider as well as a core segment for the growth strategy of Vocus. VNS owns strategic fibre infrastructure assets in Australia and is expected to display high growth in the coming years. Given the infrastructure-like nature of this business (although it is also involved in wholesale

¹⁹ As per the New Zealand government forecasts published in December 2020.



trading), we have also considered multiples observed in energy transmission and distribution businesses;

- Vocus Retail is likely to attract a lower multiple due to the expectation of declining earnings in FY21 and FY22 as well as the uncertainties around NBN pricing, ability to further reduce operating costs as well as increasing competition in the mobile market;
- Vocus NZ is likely to attract a multiple lower than VNS but higher than Vocus Retail. On one hand, Vocus NZ owns strategic fibre infrastructure assets, with moderate growth expectations and inorganic growth opportunities, primarily in the consumer and SMB market. On the other hand, Vocus NZ is the fourth integrated telecommunication player in the New Zealand market, and competition is expected to increase from Spark, Vodafone NZ and other emerging players such as 2degrees and Trust Power. In addition, we consider that the higher proportion of retail in Vocus NZ requires a lower multiple than for VNS;
- the cash conversion of these businesses – where significant non-current deferred revenue positions could arise from large network build or long-term commercial arrangements – creates a mismatch between accounting EBITDA and operating cash flows;
- listed companies and precedent transactions in the telecommunication industry are only broadly comparable to each of the business segments due to the vertical integration of many players who often serve a number of market segments;
- the positive correlation between EBITDA growth and EBITDA multiples implied by the share market trading prices of comparable listed companies. The observed relationship suggests that the EBITDA multiple of Vocus NZ should be higher than Vocus Retail and lower than VNS based on the expected growth of each business segment;
- the trading multiples observed for listed companies may not reflect a premium for control. In contrast, our selected earnings multiple has been determined on a 'control basis';
- we cross-checked the transaction evidence for Vocus Retail using the cost per subscriber implied by acquisitions due to the lack of listed companies for this business segment;
- comparable international listed companies and transactions, which are presented in Appendix 3 and 4, have not been directly considered in our analysis by segment due to a range of factors making direct comparisons difficult, such as different markets, different regulations, maturity of existing telecommunications networks, etc.

Details on the analysis undertaken is set out in the following sections.

Interpretation and evaluation of the earnings multiples

Earnings multiples are a function of the expected growth, risk and cash flows of a business. Earnings multiple data should be interpreted and evaluated having regard to the aforementioned factors and with respect to the specific characteristics and circumstances of each company and transactions from which earnings multiples are implied. We outline some general considerations to be recognised in interpreting and evaluating earnings multiples below:

- earnings multiples derived from share market trading prices would typically reflect the market value of a company on a minority interest basis. In practice, purchasers typically pay a premium over share market trading prices (generally ranging from 20% to 40%) to acquire a controlling interest in a company. However, it would be inappropriate to assume every listed company would command a control premium. Control premiums observed in public takeovers are dependent on the individual features of each transaction and may incorporate an element of synergistic value specific to the acquirer. They could also reflect the fact that the target company's stock was illiquid, or that the underlying business was poorly understood by the market and may therefore have been mispriced. The applicability and quantum of a control premium depends on the specific facts and circumstances of the subject business and requires consideration of the extent to which the aforementioned factors were involved in the transaction. For a particular company, a corporate buyer or financial sponsor may be only willing to pay a minimal or nil control premium over share market trading prices;
- earnings multiples implied by precedent transactions for a controlling interest in a business may be a better benchmark for valuing 100% of a business as they implicitly incorporate any premium for control. However, there is often a lack of publicly available projected earnings and detailed financial information for acquisitions of privately held companies, which can constrain meaningful comparisons for valuation purposes. In addition, comparable transaction multiples are usually based on "standalone" earnings (either reported or forecast) and therefore include the value of synergies paid by the acquirer. The level of synergies may be different to those present in the Proposed Scheme;
- statistical measures, such as averages, medians and correlations, may be useful for identifying trends within earnings multiple data but are inappropriate as the sole basis for determining a



reasonable earnings multiple. A comparative analysis of the characteristics and circumstances of the business being valued and those of the listed companies and precedent transactions underlying the earnings multiple data is required to determine an appropriate earnings multiple.

We note the following in respect of the transactions involving comparable companies, which are discussed in this section and summarised in Appendix 4:

- some transaction multiples are calculated with reference to historical earnings and, as a result, we would expect these transaction multiples to be higher than the multiples calculated with reference to forecast earnings;
- many transactions occurred prior to the adoption of the AASB 16 accounting standard. For these transactions, EBITDA multiples are calculated with reference to the pre AASB 16 definition of EBITDA and enterprise value.²⁰ It is difficult to retrospectively ascertain the impact AASB 16 would have had on these transaction multiples due to a lack of historical information;
- our selected earnings range for VNS, Vocus Retail and Vocus NZ is based on forecast FY21 EBITDA on a post AASB 16 basis. Transaction multiples calculated with reference to forecast post AASB 16 EBITDA provide the most comparable benchmark to the basis of our selected earnings.

Selected multiple for VNS

VNS operates as a leading specialist fibre and network solutions provider that services enterprise, government and wholesale businesses in the Australian and international market. The VNS infrastructure network assets facilitate the provision of fibre, ethernet, internet, and data centre services.

We have selected listed companies and precedent transactions for companies that serve the enterprise, government or wholesale telecommunications market in Australia and New Zealand as broadly comparable to VNS. These companies sell similar products to VNS and mostly own their infrastructure network assets. We have also selected gas and electricity transmission and distribution infrastructure companies due to the similarities of these businesses and their assets with VNS (which, essentially, transmits information and communication). Although these companies are significantly larger than VNS and operate in a different regulatory environment, we consider that their operations are similar whereby they lease owned assets to customers and provide commercial, operating and asset maintenance services. Their assets require similar capex intensity and also connect remote areas to major cities and business centres. Furthermore, it is our view that the infrastructure nature of VNS makes it an appealing business to investors which would typically own assets such as seaports, airports, roads, energy transmission and distribution and other similar assets. The multiple at which these businesses trade tends to be relatively high (often higher than 15 times EBITDA). This is evident from the investment portfolios held by MIRA and Aware Super. We note that the recently announced restructure of Telstra (seeking to separate its 'passive' infrastructure assets from its 'active' operations) is partially a catalyst to a market re-rating of the value of its assets.

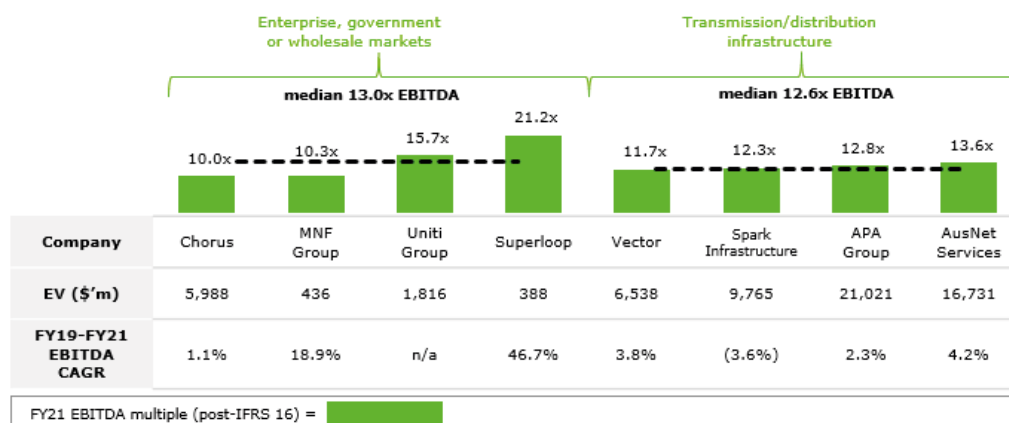
²⁰ Following adoption of the AASB 16 lease accounting standard, certain rent payments are reflected as depreciation and interest expenses rather than rent expense in the income statement. As a result, EBITDA is typically higher on a post-IFRS 16 basis. IFRS 16 also requires that certain lease obligations are recognised on the balance sheet as a liability, which is treated as debt in the calculation of enterprise value on a post-IFRS 16 basis. While both EBITDA and enterprise value increase on a post-IFRS 16 basis, the direction and magnitude of change in EV/EBITDA will vary depending on the specific lease portfolio held by a company.



Share market trading evidence

The implied EBITDA multiples from our selection of listed companies broadly comparable to VNS are presented in the figure below.

Figure 16: Listed Australian and New Zealand companies broadly comparable to VNS



Source: Deloitte analysis, annual reports, ThomsonOne

Notes:

1. EBITDA multiples are calculated based on reported FY21 EBITDA on a Post AASB 16 basis. Reported FY21 EBITDA is based on broker consensus estimates. In the absence of broker estimates, we have relied on company guidance for FY21 EBITDA
2. enterprise value (EV) is defined as being market capitalisation, plus net debt (including lease liability), plus preference shares and minority interests.

We make the following observations in relation to the comparable companies:

- Chorus, MNF, Uniti Group and Superloop serve the enterprise, government or wholesale markets. These companies own and operate their own fibre infrastructure. We consider this group of listed companies to be broadly comparable to VNS, which serves similar markets and operates its own fibre infrastructure;
- Chorus, which trades at the lowest EBITDA multiple of the group, is highly regulated by the New Zealand government. As a provider of local fibre supporting the UFB network, Chorus is prohibited by law from providing certain value add services which are at the centre of VNS current strategy for growth and hence, profitability;
- Superloop is mostly a wholesale player with a new infrastructure assets base²¹ with relatively low EBITDA but high earnings growth potential. The growth is expected to be driven by the sale of capacity on its fibre network which is currently utilised at 30.5% in Australia, 16.8% in Singapore and 3.7% in Hong Kong²². Superloop recently expanded and activated its Australian NBN backhaul and international network capacity in 1H20 and executed a large one-off transaction with Symbio Networks in 1H21 with a total contract value of \$25 million over 3 years, setting up a strong base for growth into FY22. We would expect VNS and peers to trade at a lower multiple than Superloop mainly due to the difference in earnings growth expectations and cost structure;
- the current multiple of Uniti Group reflects recent overperformance and high projected earnings growth resulting from economies of scale and synergies following several recent acquisitions including OptiComm (acquisition in November 2020 is detailed in the 'Transaction evidence' below) which resulted in the Uniti Group market capitalisation almost doubling since November 2020;
- the Australian and NZ energy transmission and distribution companies selected display similar features to VNS: the infrastructure is used as a vector for transferring goods (electricity and gas vs. data); they attract similar investors (institutional investors seeking predictable and highly contracted cash flows); and are seeking to expand their revenue base by providing adjacent services. Whilst there are key differences too (these companies are largely regulated and operate as quasi-monopolies, and have higher margins and gearing capacity), we are of the view that they provide useful benchmark for VNS.

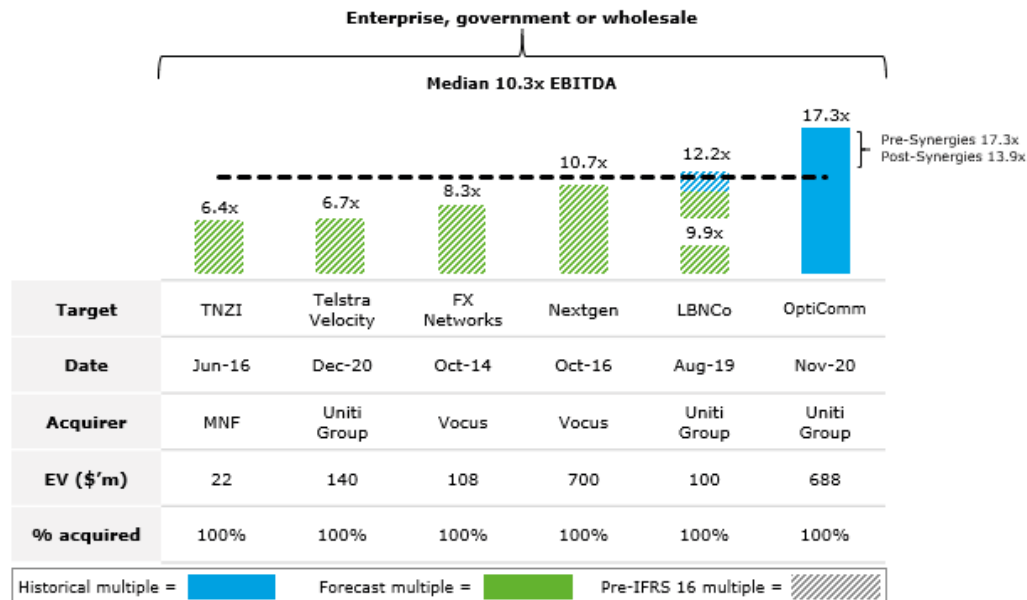
²¹ ~9,000km of subsea cable and 1,015km of terrestrial fibre that are on average less than 3 years into a 20+ year useful life as per Superloop's FY20 annual report.

²² As per Superloop's FY20 annual report.

Transaction evidence

The implied EBITDA multiple from our selection of precedent transactions for companies broadly comparable to VNS is presented in the figure below.

Figure 17: Comparable Australian and New Zealand EG&W transactions



Source: Deloitte analysis, annual reports

Notes:

1. post AASB 16 EBITDA multiples are based on enterprise value including the acquired lease liability as a component of net debt
2. LBNCo historical multiple is 12.2x and forecast multiple is 9.9x.

We make the following observations in relation to the selected comparable transactions:

- although we consider FX Networks and Nextgen acquisitions by Vocus a few years ago to be comparable to VNS, we would expect VNS to attract a higher multiple given the development and modernisation of the network since then and the scale of VNS compared to both FX Networks and Nextgen. The decline in interest rates since their acquisition is also likely to affect positively their market value;
- OptiComm traded at a relatively high multiple. We note that OptiComm was subject to a bidding war with Uniti Group ultimately succeeding versus Aware Super, the underbidder. OptiComm is the second largest (behind NBN Co) builder and wholesale operator of fibre networks in the broadacre housing market and has had longstanding relationships with property developers since the start of their operations in 2005. In addition, OptiComm had substantial contracted network construction at acquisition date, which represented over nine years of future network construction which underpin substantial growth in the medium term. We note that Uniti Group, the acquirer, disclosed a forecast EBITDA for OptiComm including synergies. The implied transaction multiple including synergies is 13.9 times versus a standalone EBITDA multiple of 17.3 times;
- in FY20, Uniti Group made four acquisitions broadly similar to VNS including LBNCo, a private fibre owner and operator building FTTP as an alternative to NBN Co and managing voice and data networks, at 9.9 times forecast EBITDA. We also note the acquisition of OPENetworks, a builder and wholesale operator of private fibre networks, in October 2019 for 11 times forecast EBITDA (not included above due to the size of the transaction of only \$28 million).

Based on our analysis of the trading comparable companies and comparable transactions, we have selected a multiple for VNS in the range of 13.0 times to 14.0 times FY21 EBITDA, on a control basis.



Selected multiple for Vocus Retail

Vocus Retail is a reseller of broadband, mobile, voice and energy services to the consumer and SMB market in Australia. Vocus Retail leverages the network infrastructure of VNS to provide its services. As a standalone business, Vocus Retail would need to arrange wholesale access to telecommunications infrastructure with a network operator.

We have selected listed companies and precedent transactions for companies that resell telecommunications services to the consumer and SMB in Australia and New Zealand as broadly comparable to Vocus Retail. The selected companies arrange wholesale access to telecommunications infrastructure to provide their services like Vocus Retail would as a standalone business.

Share market trading evidence

Aussie Broadband, an NBN retailer, went public and listed on the ASX in October 2020. Aussie Broadband is the only listed pure play reseller of telecommunications services in the consumer and SMB market in Australia. Despite generally poor margins for NBN retailers due to high wholesale access costs, Aussie broadband has been able to generate solid ARPU growth (average FY20 ARPU was \$65 for Vocus Retail vs \$77 for Aussie broadband)²³ combined with a successful customer acquisition strategy. The implied FY21 EBITDA multiple from Aussie broadband share market trading price is 34.1x²⁴, which is significantly higher than other telecommunications providers and multiples implied by transactions of Consumer and SMB companies. However, the pace at which Aussie broadband is growing its customer base make its current EBITDA not a relevant measure of maintainable earnings for the business. Therefore, we consider that the current multiple is unlikely to be a financial benchmark that is used by investors to value Aussie broadband and is not indicative of an appropriate multiple for Vocus Retail.

Due to a lack of share market trading evidence for companies similar to Vocus Retail, we have primarily relied on transaction evidence.

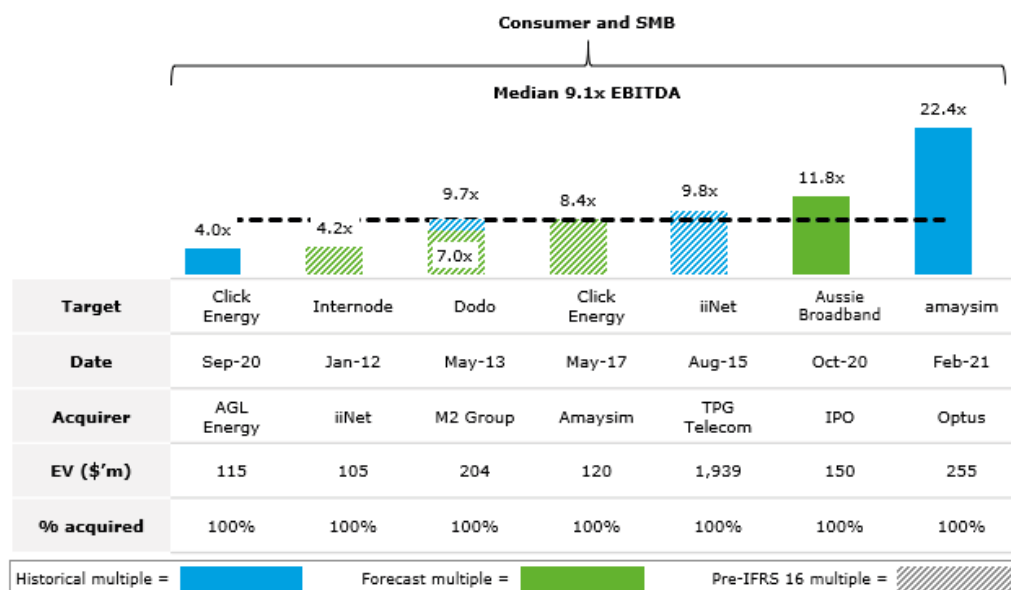
Transaction evidence

The implied EBITDA multiple from our selection of precedent transactions for companies broadly comparable to Vocus Retail are presented in the following figure.

²³ As per Aussie Broadband prospectus dated 14 September 2020 and Vocus FY20 annual report. \$65 ARPU for Vocus Retail was calculated having regard to both copper and NBN ARPU.

²⁴ Aussie broadband 34.1x multiple is based on EV as at 31 March 2021 and FY21 guidance as per Aussie Broadband prospectus dated 14 September 2020.

Figure 18: Comparable Australian and New Zealand consumer and SMB transactions



Source: Deloitte analysis, annual reports

Notes:

1. post AASB 16 EBITDA multiples are based on enterprise value including the acquired lease liability as a component of net debt

2. Dodo historical multiple is 9.7x and forecast multiple is 7.0x.

We make the following observations in relation to the selected comparable transactions:

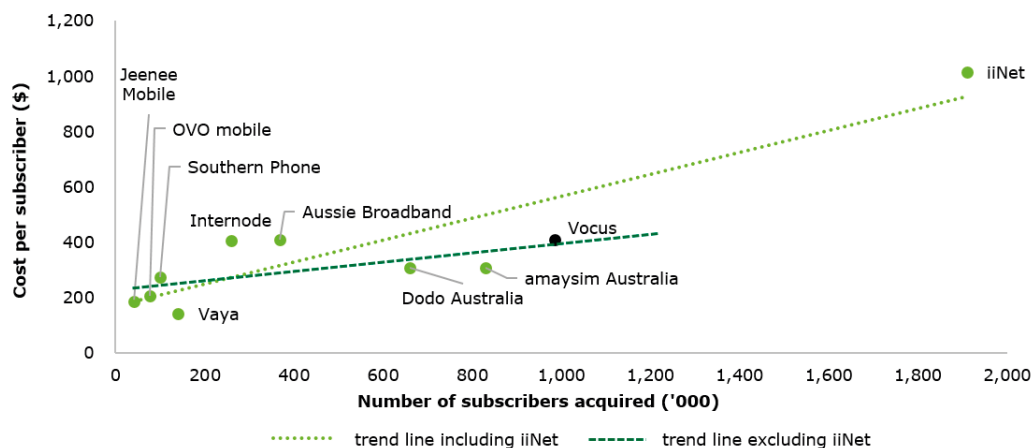
- we consider the transaction multiples of the Dodo transaction to be relevant given that Dodo is the largest contributor to Vocus Retails' performance and is the primary go-to-market brand of Vocus Retail as a reseller of competitively priced broadband, mobile voice and energy services. Notwithstanding, the telecommunications market has changed significantly since this transaction (as NBN was only just rolling out in 2013) and price competition has intensified in the last five years – although we do expect this will subside and profitability will stabilise following completion of the NBN rollout. We also make the observation that Vocus Retail currently has greater scale than Dodo and has a more mature energy business – at the time of acquisition by M2, Dodo's energy business was in its infancy;
- in February 2021, Optus acquired the mobile business of amaysim, the largest MVNO in Australia, right after amaysim divested its energy business Click Energy to AGL. Similar to Vocus Retail, amaysim did not own any mobile network infrastructure and had historically purchased wholesale access to telecommunications infrastructure from Optus. It is likely that the price paid by Optus reflect the substantial synergies that Optus would be able to realise and was willing to pay away given the risk of amaysim's customer base (0.8 million recurring customers) being lost to Telstra or TPG upon expiry of their wholesale agreement in June 2022. Therefore, we consider the multiple of the Optus/amaysim transaction is not an appropriate benchmark for our valuation of Vocus Retail;
- we consider that Vocus Retail would trade at a lower multiple than iiNet and the Aussie Broadband IPO. The iiNet multiple was likely impacted by a bidding process between TPG and M2 (the final offer from TPG implied a 45% premium over the 30-day volume weighted average price of iiNet shares on the ASX up to and including the day prior to the announcement of TPG's original offer). Aussie Broadband's IPO price reflected Aussie Broadband's features, largely described above.

Additional transaction evidence

We have also considered the cost per subscriber implied by our enterprise value range for Vocus Retail as additional evidence of the reasonableness of our valuation conclusion. Based on acquisitions of telecommunication resellers in the consumer and SMB market in Australia, between 2012 and 2020, we have selected nine relevant transactions. The costs per subscriber implied by these transactions are presented in Appendix 6 and in the figure below.

Deloitte.

Figure 19: Cost per subscriber observed in acquisitions of consumer and SMB telecommunication resellers in Australia



Source: Deloitte analysis, annual reports

Notes:

1. cost per subscriber calculated as enterprise value divided by the number of subscribers acquired
2. the cost per subscriber of Vocus is based on the midpoint of our enterprise value range for the Vocus Retail business segment and 984,912 Vocus Retail subscribers as at the end of February 2021
3. the trend line is calculated excluding Vocus.

We note the following:

- companies that resell telecommunications services in the consumer and SMB market generally do not own their own network infrastructure. Instead, these companies purchase capacity in the wholesale telecommunications market. The profitability of resellers is constrained by the direct cost of wholesale access to infrastructure and profitability is generally tied to the size of their subscriber base. As the subscriber base grows, operating leverage and economies of scale result in lower fixed operating costs;
- based on the regression analysis shown in Figure 19, we observed a positive correlation between the number of subscribers and the implied cost per subscriber acquired. That is, a significant proportion of the variance in the implied cost per subscriber can be explained by the size of the business. The regression analysis supports the notion that a corporate buyer may be willing to pay a premium on a per-subscriber basis to acquire a business with many subscribers;
- we note that the cost per subscriber implied by the acquisition of iiNet by TPG Telecom is significantly higher than observed in other precedent transactions. The high cost per subscriber can partially be explained by the large size of the deal and high number of subscribers acquired. We also consider that the implied cost per subscriber may incorporate an element of synergistic value as the customer base of iiNet was complimentary to TPG Telecom's existing customer base;
- our valuation of Vocus Retail ranging \$372 million to \$434 million implies a cost per subscriber of \$378 to \$441. Whilst the average value per subscriber of Vocus Retail implied by our valuation is higher than that implied by all the transactions (refer along the Y-axis of Figure 19 or Table 31 in Appendix 6), it is broadly in line with that suggested by the regression analysis presented in Figure 19 figure.

Based on our analysis of the comparable transactions, we have selected a multiple for Vocus Retail in the range of 6.0 times to 7.0 times FY21 EBITDA, on a control basis.

Selected multiple for Vocus NZ

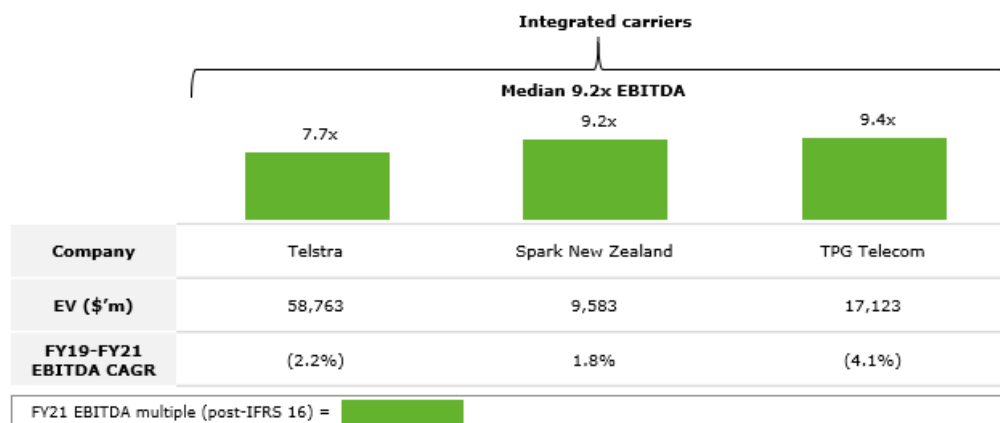
Vocus NZ operates as an integrated carrier in New Zealand serving the consumer, SMB, and EGW telecommunications market. Vocus NZ owns and operates a national fibre network, which enables the delivery of its services.

We have selected listed companies and precedent transactions for companies that operate as integrated carriers serving a range of customer markets in Australia and New Zealand as broadly comparable to Vocus NZ. The selected companies own and operate their own telecommunications infrastructure like Vocus NZ.

Share market trading evidence

The implied EBITDA multiple from our selection of listed companies broadly comparable to Vocus NZ are presented in the figure below.

Figure 20: Listed Australian and New Zealand companies broadly comparable to Vocus NZ



Source: Deloitte analysis, annual reports, ThomsonOne

Notes:

1. EBITDA multiples are calculated based on reported FY21 EBITDA on a Post AASB 16 basis. Reported FY21 EBITDA is based on broker consensus estimates. In the absence of broker estimates, we have relied on company guidance for FY21 EBITDA
2. enterprise value (EV) is defined as being market capitalisation, plus net debt (including lease liability), plus preference shares and minority interests.

We make the following observations in relation to the comparable companies:

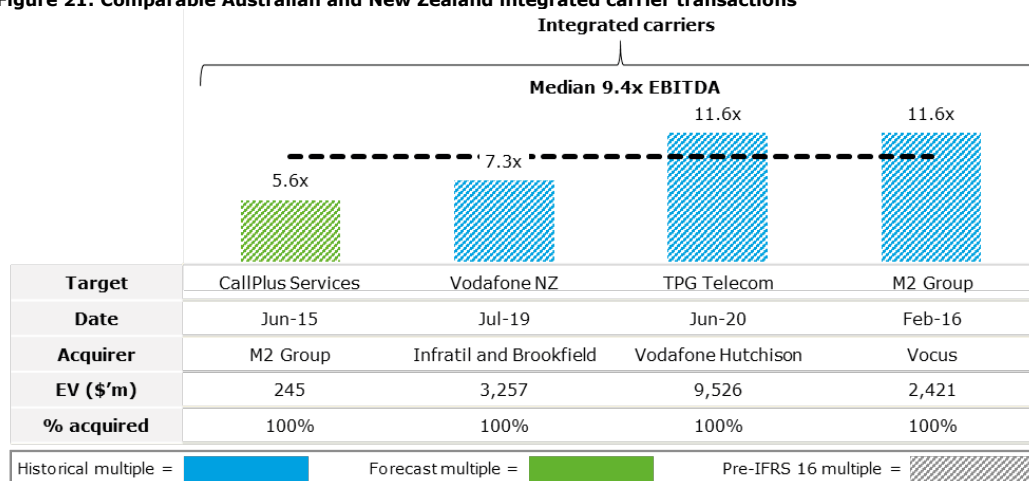
- Telstra, Spark New Zealand and TPG Telecom operate as integrated carriers providing products and services across a range of market segments. Most of their revenue is generated from providing products and services in the consumer and SMB market and supported by their owned infrastructure networks. We consider these integrated carriers are broadly comparable to Vocus NZ, although much larger and with a mobile infrastructure (as set out in section 3.2.3, Vocus NZ does not own a mobile network). These commonalities in customer base and operating model suggest Vocus NZ shares similar growth and risk prospects with the other integrated carriers;
- we consider Spark New Zealand to be comparable to Vocus NZ as the companies are direct competitors and operate in the same geography. However, Spark New Zealand is a strong incumbent operator in New Zealand which dominates the enterprise market share owning and leveraging a strong infrastructure assets portfolio.



Transaction evidence

The implied EBITDA multiple from our selection of precedent transactions for companies broadly comparable to Vocus NZ are presented in the figure below.

Figure 21: Comparable Australian and New Zealand integrated carrier transactions



Source: Deloitte analysis, annual reports, broker estimates

We make the following observations in relation to the selected comparable transactions:

- TPG Telecom and M2 Group are comparable to Vocus NZ being fully integrated telecommunications providers although TPG has a focus on wholesale whilst M2 Group was targeting consumer and SMB customers. We would expect Vocus NZ to attract a lower multiple than TPG Telecom and M2 Group primarily due to these companies operating at a larger scale and in a larger market (Australia vs. New Zealand);
- Vodafone NZ held a leading position in the mobile and fixed broadband market and owned and operated a fixed-wireless mobile network with international transit capacity, as well as a portfolio of spectrum assets. Its transaction multiple is therefore a relevant benchmark for us to consider, however we recognise that Vocus NZ has limited presence in the mobile market and does not own any spectrum assets;
- as a provider of broadband and fixed line services in New Zealand, CallPlus was less diversified and smaller than Vocus NZ, and did not own any fibre network infrastructure assets. Hence, we would expect Vocus NZ to trade at a higher multiple than CallPlus.

Based on our analysis of the comparable trading companies and comparable transactions, we have selected a multiple for Vocus NZ in the range of 8.5 times to 9.5 times FY21 EBITDA, on a control basis. Our selected multiple has also taken into account the relative mix of Vocus NZ, which includes network assets and retail operations. We have selected an EBITDA multiple for Vocus NZ that is higher than Vocus Retail, but lower than VNS.

6.2.3 Net debt

The table below sets out Vocus' estimated net debt prior to the implementation of the Proposed Scheme. We have used Vocus' balance sheet as at 31 March 2021 in our calculation, which we understand will be largely consistent with Vocus' expected balance sheet prior to the implementation of the Proposed Scheme.

Table 25: Net debt of Vocus

\$'m	Net debt
Current interest-bearing liabilities	918
Non-current interest-bearing liabilities	50
Cash	(39)
Net debt as at 31 March 2021 (pre AASB 16)	929
Adjustments to net debt:	
Cash payment for the cancellation of the Legacy Options	0
Cash proceeds from the exercise of certain share options	-
Cash payment for the share options (all three tranches)	81
Cash payment for the cancellation of the performance rights	1
Adjusted net debt (pre AASB 16)	1,011
AASB 16 liability	155
Net debt (post AASB 16)	1,166

Source: Deloitte analysis

Note: numbers may not add due to rounding.

We make the following comments in respect of the above:

- all Legacy Options have vested. If the Proposed Scheme becomes effective, the Legacy Options will be cancelled and Vocus will pay the intrinsic value of the Legacy Options (being the Scheme Consideration per share less the exercise price per Legacy Option). Accordingly, we have adjusted net debt to reflect this;
- with respect of the Share Options:
 - for some holders, all of their Share Options held will vest so that the Share Options can be immediately exercisable by the holder. We note that all of these Share Options are in the money and therefore it would be reasonable to expect the holders to exercise their Share Options. Vocus has received approval from the ASX to settle these Share Options on a net basis. That is, instead of receiving cash to reflect the exercise of these Share Options and subsequently issuing the number of Vocus Shares the Share Options entitle the holder to, Vocus is intending to issue Vocus Shares equivalent to the intrinsic value of the Share Options (being the Scheme Consideration per share less the exercise price per legacy option). Accordingly, we have not adjusted the net debt in the table above. Instead, we have increased the number of shares on issue by a smaller amount (refer to Table 26) to take into account that these Share Options will be settled on a net basis;
 - the remaining holders have Share Options which vest over a period of two years. Vocus has entered into option cancellation deeds whereby the option holders have agreed that their Share Options will be cancelled in return for the Scheme Consideration less the exercise price, however, this will be paid in three tranches – the first tranche will come into effect on the Implementation Date (as defined in the SID), whilst the second and third tranche will come into effect on the 1st and 2nd anniversary of the Implementation Date, respectively. A continuation of service condition applies under the option cancellation deeds, which requires the Share Option holders to remain employed by Vocus until the due date for cancellation of any tranches (except in the case of a good leaver). We have made assumption that all of these employees will remain at Vocus given that all the Share Options are in the money and it is not difficult to satisfy the service condition. We have therefore made an adjustment to net debt to reflect the payment of the intrinsic value of all these Share Options. We have not considered the time value of money given the short time frame over which the Share Options is expected to be paid out;
- Performance Rights were granted to NZ employees under a long-term incentive plan. Vocus currently has 242,550 Performance Rights on issue as well as a contractual obligation to grant two additional tranches of Performance Rights, subject to satisfaction of certain performance conditions.



If the Proposed Scheme becomes effective, the 242,550 Performance Rights will vest – we have adjusted shares outstanding to reflect this in section 6.2.4. In respect of the two additional tranches of Performance Rights which Vocus is contractually obliged to grant, Vocus has entered into cancellation letters with the Performance Rights holders. Under this, the Performance Rights will be cancelled in exchange for cash consideration of c. \$834k or NZ\$900k. Accordingly, we have made an adjustment to Vocus' net debt to reflect this payment.

Since our valuation is based on an EBITDA multiple on a post AASB 16 basis, we have also taken into account the notional debt associated with AASB 16-related lease liabilities.

As set out further above, Vocus also accounts for certain non-current deferred revenues and onerous provisions. We have taken account of such items in the earnings adjustments and they are therefore not included in the above net debt estimate.

6.2.4 Shares outstanding

Vocus currently has 621,214,651 million fully paid ordinary shares on issue. As at the current date, Vocus has 28,683,667 employee Share Options, 135,418 Legacy Options and 242,550 Performance Rights on issue.

As noted in section 6.2.3, a portion of the Share Options and all of the Performance Rights on issue will vest. As all the Share Options are in the money, we have assumed that the holders will exercise their Share Options. Holders of the Performance Rights will be issued Vocus shares.

The table below summarises the results of our analysis on shares outstanding:

Table 26: Shares outstanding

	No. of shares
Currently fully paid ordinary shares	621,214,651
Add: shares issued from the exercise of certain Share Options ¹	632,924
Add: shares issued from the Performance Rights	242,550
Total diluted no. of shares	622,090,125

Source: Management, Deloitte analysis

Note:

1. as noted in section 6.2.3, Vocus has received approval from the ASX to settle certain Share Options on a net basis. In determining the number of shares that will be issued we should, in theory, be dividing the intrinsic value of the Share Options (being the Scheme Consideration per share less the exercise price per legacy option) by the mid-point of our valuation range of a Vocus Share (as shown in Table 18) to reflect the expected number of shares to be issued in the absence of the Proposed Scheme. However, for simplicity, we have instead calculated shares issued by dividing the intrinsic value of the Share Options by the Scheme Consideration. We note that the two different methods do not have a material impact to our valuation (less than a 1 cent valuation impact per Vocus share).

6.3 Cross-check: DCF analysis

We have had regard to a high-level DCF analysis as a cross-check to our primary valuation under the earnings (EBITDA) multiple method.

Management have prepared nominal after-tax and ungeared cash flow projections using a top-down approach, split by segment, for the five years up to the year ending 30 June 2025. We understand that these projections were internally reviewed by Vocus. In considering the financial projections, we have undertaken an analysis that has included:

- analysing the financial model provided by Management, including limited procedures regarding the mathematical accuracy of the model (but have performed neither a review nor an audit of the model);
- reviewing the basis of the underlying assumptions such as revenue growth, margins, capital expenditure and net working capital;
- considering market commentators' and brokers' projections in relation to Vocus; and
- holding discussions with Management concerning the preparation of the projections, and their views regarding the assumptions on which they are based.

Since the projections relate to the future they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the projections. Accordingly,



actual results are likely to be different from those projected since events and circumstances frequently do not occur as expected, and those differences may be material.

Forecast Period

Due to the commercial sensitivity concerning Vocus' financial projections and assumptions, we have not disclosed details of our analysis. A summary of the key trends and considerations is set out below:

- the key trends underpinning VNS are as follows:
 - growth in revenue is expected to be driven by growth in data networks, NBN services and adjacent product offerings;
 - EBITDA margin (pre AASB 16 basis)²⁵ is forecast to remain broadly consistent with what VNS achieved in FY20 and 1H21 and what the brokers are expecting VNS to achieve in FY21; and
 - capital expenditure has been estimated to decline over the five years to FY25. We have assumed a greater level of capex in FY21 and FY22 due to the investment in projects particularly in the E&G division (mining, defence and oil and gas projects) and expansion of capacity for Australian international bandwidth. As VNS shifts towards more adjacent product offerings (which are less capex intensive), we expect to see a decline in capital expenditure as a percentage of revenue.
- the key trends underpinning Vocus Retail are as follows:
 - revenue is forecast to remain stable in FY22, before subsequently growing from FY23 through to FY25, driven by the bundling strategy in Vocus Retail, resulting in growth in mobile and energy revenues, however the decline in legacy stand-alone voice will impact revenue growth in FY21 and FY22;
 - EBITDA margins (pre AASB 16 basis) are expected to trend down over the Forecast Period, which reflects the decline in "legacy products" which generate higher margins than the typically fixed-price "current products"; and
 - capital expenditure as a percentage of revenue is forecast to be stable over the Forecast Period and consistent with historical levels.
- the key trends underpinning Vocus NZ are as follows:
 - revenue growth is expected to be driven by the bundling strategy in Vocus NZ, resulting in growth in mobile and energy revenues followed by UFB and data networks revenue;
 - EBITDA margins (pre AASB 16 basis) are expected to remain stable over the Forecast Period and consistent with what Vocus NZ has historically generated;
 - capital expenditure as a percentage of revenue is forecast to remain stable over the Forecast Period and consistent with historical levels; and
 - cash flow projections are denominated in nominal A\$ and no material movements in the AUD/NZD foreign exchange rate have been considered.
- changes in net working capital have been modelled having regard to historical EBITDA cash conversion. As noted in section 3.6 and section 6.2.1, net working capital includes balances that we consider to be abnormal including the deferred revenue and onerous provisions arising from the 2016 and 2017 acquisitions of Amcom and Nextgen. Accordingly, we have normalised historical net working capital for this and note that the EBITDA-cash conversion ratio ranges from 90-95%;
- the impact of the unwinding of non-current deferred revenues and onerous provisions referred to above has been modelled separately until 2042, the year in which these balances are expected to be unwound;
- tax deductible depreciation charges were projected over the Forecast Period having regard to the average current useful lives of fixed assets; and
- we have assumed an income tax rate of 30% for VNS and Vocus Retail and 28% for Vocus NZ, consistent with the corporate tax rates relevant for each jurisdiction. As set out below, solely for VNS, we have also considered a scenario whereby a portion of the value attributable to franking credits is reflected in our valuation.

²⁵ As AASB 16 is an accounting concept only and has no cash flow impact, we have elected to model EBITDA margin on a pre AASB 16 basis for the purposes of our discounted cash flow cross-check.



Terminal year cash flow and terminal value

In arriving at our terminal year cash flow, the following assumptions have been adopted:

- a revenue growth rate of 2.25%, reflecting inflationary growth;
- a stable EBITDA margin compared to FY25;
- a level of capital expenditure set equal to the FY25 level, because the reduced growth assumed into perpetuity compared to the revenue growth over the Forecast Period would not result in lower capital expenditure needs for Vocus; and
- terminal depreciation based on terminal capital expenditure, the average useful life of fixed assets for each segment and the selected terminal revenue growth rate, to reflect maintenance of the asset base.

We have calculated a terminal value at the end of the forecast period using the terminal year cash flow, the Gordon Growth model and a long-term annual growth rate of 2.25%. We are of the opinion that long-term growth rates will revert to inflationary growth. Whilst the business might have still room to grow its market share, pricing deflation is likely to offset this.

Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax ungeared discount rate ranging from 7.25% to 7.75%. Our selected discount rate reflects our judgement having regard to the blended risk profile Vocus' three operating segments. We note that this range is broadly in line with the rates adopted by brokers covering Vocus.

The key assumptions adopted having regard to the capital asset pricing model (**CAPM**) framework are as follows:

- the risk-free rate of return in Australia, having regard to the five-day average yield on 10-year zero coupon Australian Government Bonds, being 1.7% as at 31 March 2021;
- an equity market risk premium (**EMRP**) of 7.0%. Whilst several studies for the Australian market refer to an EMRP in the region of 6.0% to 6.5%, largely based on historical long-term observations. Deloitte is of the view that such studies and the corresponding use of these benchmarks are not appropriate in the current market environment. Historical low interest rates make the use of historical-based EMRP inappropriate. We note that several valuation practitioners use an EMRP of 6% combined with an assumed 'long term' risk free rate that is higher than that currently observed. When combined with the spot risk-free rate, our assumed EMRP implies a total required return for the Australian market of c. 8.7%. This is not dissimilar to that adopted by other valuation practitioners and investment analysts;
- betas of listed companies that are comparable to Vocus. These betas have been calculated based on weekly returns over a 2-year period and monthly returns over a 4-year period, compared to relevant indices. Based on our analysis, we have selected an unlevered beta in the range of 0.80 to 0.85. Having regard to the gearing assumed, this results in a levered beta of 0.92 to 1.04. Our selected beta reflects our view of the Company's blended risk having regard to its three operating segments. Refer to Appendix 5 for a detailed analysis of observed market betas;
- a pre-tax cost of debt range of 4.5% to 5.0% based on Vocus' current cost of debt and Australian debt benchmarks; and
- gearing levels exhibited by the identified comparable companies, current and target gearing of Vocus. Having considered these factors, we have selected a debt to enterprise value gearing ratio of 10% to 30%.

Scenarios considered

Having regard to the key assumptions underpinning Vocus' financial projections, we have developed a number of alternative scenarios to Scenario 1, which has been described above.

A description of the scenarios is summarised in the table below:

Table 27: DCF scenarios

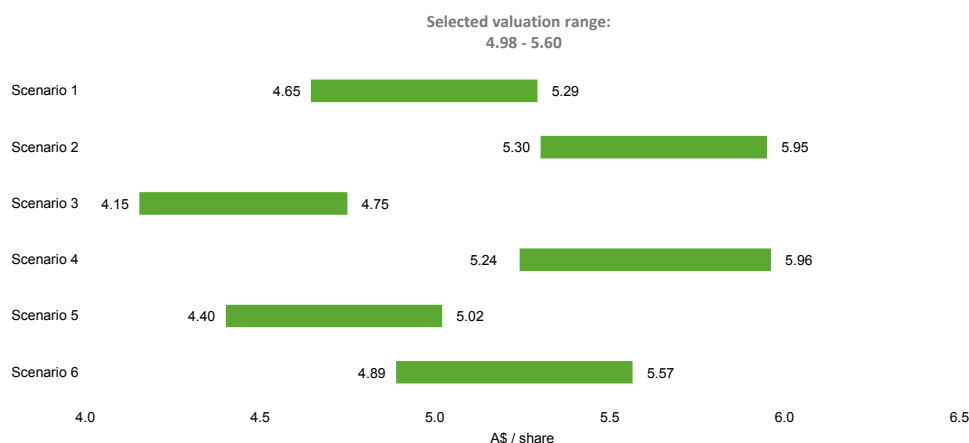
Scenario	Description
Scenario 1	As described above.
Scenario 2: Scenario 1, with value placed on franking credits for VNS	Under this scenario, we have specifically ascribed value to franking credits that might be distributed in the future to investors in VNS. Refer to Appendix 7 for further details on this analysis.
Scenario 3: lower VNS and Vocus Retail revenue growth	<p>Under this scenario, we have assumed that VNS' growth in data networks (in the enterprise and government sectors) and adjacent services is 2% lower than Scenario 1. This could be the case due to one or a number of the following reasons:</p> <ul style="list-style-type: none"> - the restructure of Telstra into four business units – each of the businesses could represent new more focused competition to Vocus in an already very competitive market; - TPG continues to place priority in the enterprise segment and is successful in the execution of its strategy; or - the addressable market size of adjacent services (which is currently forecast to grow at a CAGR of 8% p.a. for the next five years – refer to Figure 14) does not grow as quickly as projected or Vocus is not as successful as gaining market share in this segment. <p>We have assumed that VNS margins and projected capex remain the same as under Scenario 1.</p> <p>With respect to Vocus Retail, we have also assumed that revenue growth from FY23 to FY25 will be capped, reflecting a scenario where growth in mobile and energy is impacted as Vocus' competitors focus on a bundling strategy as well. We have assumed that Vocus Retail margins remain the same as under Scenario 1. Vocus Retail is not a capital intensive business and therefore we have not made any changes to projected capital expenditure.</p>
Scenario 4: extended growth for VNS	Under this scenario we have extended VNS' forecast cash flows by an additional two years, to reflect linearly declining revenue growth in FY26 and FY27 before reaching a steady state growth in FY28 (which is the year upon which we calculate the terminal value).
Scenario 5: higher VNS capital expenditure	Under this scenario, we have assumed that the capital spend required into perpetuity by VNS (the segment of Vocus which is more capital intensive) is 10% higher than that assumed under Scenario 1.
Scenario 6: lower VNS capital expenditure	For the same reason noted above, we have reduced VNS' terminal capital expenditure by 10%, relative to Scenario 1.

Source: Deloitte analysis



The output of the DCF analysis, based on the scenarios discuss above, is summarised in the figure below:

Figure 22: Price per share based on the DCF cross-check



Source: Deloitte analysis

The discounted cash flow analysis results in a wide range of valuation outcomes. When considering the value ranges presented above, we note some limitations in considering certain changes in assumptions in isolation. For example, a lower revenue growth for VNS might have an impact on margins. Similarly, higher capex might improve the quality of the Vocus network and customer satisfaction and ultimately result in a lower churn.

In our opinion, the DCF analysis presented above provides support to our valuation conclusion.



Appendix 1: Context to the report

Individual circumstances

We have evaluated the Proposed Scheme for the Shareholders as a whole and have not considered the effect of the Proposed Scheme on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Scheme from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Scheme is fair and reasonable and therefore in the best interests of the Shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of Vocus and is to be included in the Scheme Booklet to be given to the Shareholders for approval of the Proposed Scheme. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Scheme Booklet in their assessment of the Proposed Scheme outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Vocus, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Scheme. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte of its opinion as to whether the Proposed Scheme is in the best interests of the Shareholders as a whole. Deloitte consents to this report being included in the Scheme Booklet in the form and context in which it is to be included in the Scheme Booklet.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte has relied upon the completeness of the information provided by Vocus and its officers, employees, agents or advisors (as set out below in 'Sources of Information'). Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us.

In recognition that Deloitte may rely on information provided by Vocus and its officers, employees, agents or advisors, Vocus has agreed that it will not make any claim against Deloitte to recover any loss or damage which Vocus may suffer as a result of that reliance and that it will indemnify Deloitte against any liability that arises out of either Deloitte's reliance on the information provided by Vocus and its officers, employees, agents or advisors or the failure by Vocus and its officers, employees, agents or advisors to provide Deloitte with any material information relating to the Proposed Scheme.

Drafts of our report were issued to Vocus management for confirmation of factual accuracy. We may not have become aware of all information that may be relevant to our work and opinion.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of Vocus personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte considers that there are reasonable grounds to believe that the prospective financial information for Vocus included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Vocus referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.



Deloitte holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte principally involved in the preparation of this report were Christophe Bergeron, Partner, M. App Fin, and Michele Picciotta, Partner, B.Comm (Hons). Each have many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Vocus proposes to issue a Scheme Booklet in respect of the Proposed Scheme between Vocus and the Shareholders;
- the Scheme Booklet will be issued in hard copy and be available in electronic format;
- it has previously received a copy of the draft Scheme Booklet for review; and
- it is named in the Scheme Booklet as the 'independent expert' and the Scheme Booklet includes its independent expert's report in Appendix A.

On the basis that the Scheme Booklet is consistent in all material respects with the draft Scheme Booklet received, Deloitte Corporate Finance Pty Limited consents to it being named in the Scheme Booklet in the form and context in which it is so named, to the inclusion of its independent expert's report in Appendix A of the Scheme Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Scheme Booklet is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Scheme Booklet and takes no responsibility for any part of the Scheme Booklet, other than any references to its name and the independent expert's report as included in Appendix A.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- scheme implementation deed between Voyage Australia Pty Limited and Vocus Group Pty Limited;
- draft scheme booklet, dated 22 April 2021;
- Project Neo Management Presentation Day 1 and Day 2, dated January 2021;
- Strategic Portfolio Review presentations, dated 22 September 2020 and 28 October 2020 respectively;
- Vocus 5-year plan prepared by Management;
- Project Will Lender Presentation, dated February 2021;
- Vocus New Zealand Board presentation, dated 22 September 2020;
- audited financial statements for Vocus for the years ending 2018, 2019 and 2020;
- annual report/s for Vocus for the years ending 2018, 2019 and 2020;
- Vocus company website;
- publicly available information on comparable companies and market transactions published by ASIC, Thomson Research, Thomson Reuters Financial markets, SDC Platinum and Mergermarket;
- industry reports including IBIS World, Australian Communications and Media Authority, Buddecom, EIU, Gartner, Forrester and IDC; and
- other publicly available information, media releases and broker reports on Vocus and the telecommunications industry.

In addition, we have had discussions and correspondence with certain directors and executives of Vocus, including Nitesh Naidoo, Group CFO; Roupen Sevagian, Group Manager Corporate Finance; Bryce Kidd, Group Strategy & Corporate Development; Aaron Smith, CFO New Zealand; Andrew Wildblood, CEO Enterprise & Government; Ellie Sweeney, Group COO; Mark Callander, CEO New Zealand and Wholesale & International; Antony de Jong, CEO Business & Consumer; Dhruvan Mehta, GM Planning & Performance Business & Consumer in relation to the above information and to current operations and prospects of Vocus.

Appendix 2: Valuation methodologies

Common market practice and the valuation methodologies which are applicable to corporate entities and businesses can be categorised under one of the following three approaches, as outlined in AASB 13.

Market approach

The market approach involves the determination of fair value having regard to pricing and other metrics implied by market trading or transactions of comparable assets. Valuation methods commonly adopted under the market approach include:

- earnings multiples
- analysis of an entity's recent share trading history
- industry specific methods.

The earnings multiple method estimates fair value as the product of an entity's earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market trading and/or transactions involving comparable companies. The earnings multiple method is appropriate where the entity's earnings are relatively stable.

The most recent share trading history provides evidence of the fair value of the shares in an entity where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an entity than other valuation methods because they may not account for entity specific factors.

Income approach

The income approach involves the determination of fair value based on the present value of future amounts. The discounted cash flow method estimates fair value by discounting an entity's future cash flows using an appropriate cost of capital to reflect the risks of the cash flows, to a net present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence, and is commonly used to value early stage companies or projects with a finite life.

Cost approach

The cost approach involves the determination of fair value based on the cost of replacement. Valuation methods under the cost approach estimate the fair value of an entity's shares based on the realisable value of its identifiable net assets, and typically comprise:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method, except that it assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the fair value of the net assets of an entity, after deduction for the costs of operating the net assets of the business, but does not take account of realisation costs.

These methods ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill which may not be recognised on the balance sheet. Asset based methods are appropriate when companies are not profitable, or a significant proportion of an entity's assets are liquid, or for asset holding companies.



Appendix 3: Comparable listed companies

We identified the following companies whose securities are traded on various securities exchanges and we consider similar to VNS, Vocus Retail or Vocus NZ:

Table 28: Comparable company EBITDA multiples

Company name	Country	EV \$m	FY20	FY21	FY22	EBITDA CAGR FY19-21	Current financial year end
E&G, Wholesale and Infrastructure							
Australia and New Zealand							
Chorus Limited	New Zealand	5,988	10.0x	10.0x	9.9x	1.1%	30/06/20
MNF Group Limited	Australia	436	11.4x	10.3x	8.9x	18.9%	30/06/20
Uniti Group Limited	Australia	1,816	n/m	15.7x	n/a	617.5%	31/12/20
Superloop Limited	Australia	388	28.8x	21.2x	15.0x	46.7%	30/06/20
Vector Limited	New Zealand	6,538	12.3x	11.7x	12.1x	3.8%	30/06/20
Spark Infrastructure Group	Australia	9,765	11.2x	12.3x	12.2x	(3.6%)	31/12/20
APA Group	Australia	21,021	12.7x	12.8x	12.2x	2.3%	30/06/20
AusNet Services Ltd	Australia	16,731	14.0x	13.6x	13.4x	4.2%	31/03/20
Over the Wire Holdings Limited	Australia	297	17.1x	n/a	n/a	n/a	30/06/20
Macquarie Telecom Group Limited	Australia	1,175	18.0x	n/a	n/a	n/a	30/06/20
ANZ median		3,902	12.7x	12.5x	12.2x	4.0%	
International							
Cogent Communications Holdings, Inc.	United States	5,266	21.1x	17.9x	16.6x	11.7%	31/12/20
United States Cellular Corporation	United States	7,021	5.1x	n/a	n/a	n/a	31/12/20
StarHub Ltd	Singapore	3,142	6.0x	6.4x	6.1x	(10.1%)	31/12/20
International median		5,266	6.0x	12.2x	11.4x	0.8%	
ANZ and international median		5,266	12.5x	12.5x	12.2x	4.0%	
Consumer & SMB							
Australia and New Zealand							
Aussie Broadband Limited	Australia	477	n/m	34.1x	n/a	n/a	30/06/20
International							
Freenet AG	Germany	5,263	8.0x	7.9x	7.8x	0.2%	31/12/20
1&1 Drillisch AG	Germany	6,662	9.2x	n/a	n/a	n/a	31/12/20
International median		5,963	8.6x	7.9x	7.8x	0.2%	
ANZ and international median		5,263	8.6x	21.0x	7.8x	0.2%	
Integrated carriers							
Australia and New Zealand							
Telstra Corporation Limited	Australia	58,763	6.6x	7.7x	7.8x	(2.2%)	30/06/20
Spark New Zealand Limited	New Zealand	9,583	9.3x	9.2x	8.9x	1.8%	30/06/20
TPG Telecom Limited	Australia	17,123	9.6x	9.4x	8.5x	(4.1%)	31/12/20
ANZ median		17,123	9.3x	9.2x	8.5x	(2%)	
International							
Singapore Telecommunications Limited	Singapore	52,382	11.7x	14.2x	14.4x	(10.7%)	31/03/20
Shaw Communications Inc.	Canada	23,194	9.3x	9.3x	9.2x	5.6%	31/08/20
International median		37,788	10.5x	11.7x	11.8x	(2.6%)	
ANZ and international median		23,194	9.3x	9.3x	8.9x	(2.2%)	

Source: Deloitte analysis, annual reports

Notes:

1. n/m stand for non-meaningful and n/a for not available

2. enterprise values above are denominated in Australian dollars. However, multiples displayed are calculated based on local currency enterprise value and EBITDA.



Appendix 4: Comparable transactions

Deloitte considered precedent transactions for telecommunications companies in Australia and New Zealand. In selecting and categorising transactions, we have had regard to the comparability of the business operations and primary market of the acquired companies to those of VNS, Vocus Retail or Vocus NZ. The implied EBITDA multiples from our selection of comparable transactions are shown in the table below.

Table 29: Telecommunications transactions

E&G and Wholesale - Australia and New Zealand				EBITDA multiple	
Date ¹	Target	Acquirer	EV ² \$m	Historical	Forecast
Dec-20	Telstra Velocity	Uniti Group Limited	140	n/a	6.7x
Nov-20	OptiComm Ltd (excluding synergies)	Uniti Group Limited	690	17.3x	n/a
Aug-19	LBNCo	Uniti Group Limited	100	12.2x	9.9x
Oct-19	OPENetworks	Uniti Group Limited	28	n/a	11.0x
Oct-16	Nextgen Networks Pty Ltd. (Network business)	Vocus Group Limited	700	n/a	10.7x
Jun-16	Telecom New Zealand International Limited	MNF Group Limited	22	n/a	6.4x
Oct-14	FX Networks Limited	Vocus Communications Ltd	108	n/a	8.3x
E&G and Wholesale median				10.3x	
Consumer and SMB - Australia and New Zealand					
Sep-20	Click Energy Group Holdings Pty Ltd	AGL Energy Limited	115	4.0x	n/a
May-17	Click Energy Group Holdings Pty Ltd	amaysim Australia Limited	120	n/a	8.4x
Feb-21	amaysim Australia Limited (Mobile business)	Optus Mobile Pty Limited	255	22.4x	n/a
May-13	Dodo Australia Holdings Pty Ltd	M2 Group Ltd	204	9.7x	7.0x
Oct-20	Aussie Broadband Limited	IPO	150	n/a	11.8x
Aug-15	iiNet Ltd	TPG Telecom Limited	1,939	9.8x	n/a
Jan-12	Internode Pty Ltd	iiNet Limited	105	n/a	4.2x
Consumer and SMB median				9.1x	
Integrated carriers - Australia and New Zealand					
Jun-20	TPG Telecom Limited	Vodafone Hutchison Australia Pty Limited	9,526	11.6x	n/a
Jul-19	Vodafone New Zealand Limited	Infratil Limited and Brookfield Asset Management Inc.	3,257	7.3x	n/a
Feb-16	M2 Group Ltd	Vocus Group Limited	2,421	11.6x	n/a
Jun-15	CallPlus Services Limited	M2 Group Limited	245	n/a	5.6x
Integrated carriers median				9.4x	
Telecommunication providers - International					
May-19	Zayo	EQT / Digital colony	20,151	11.1x	n/a
May-18	Wilcon	Crown Castle International	792	20.0x	n/a
Feb-18	Level 3 Communications	CenturyLink	44,392	12.9x	n/a
Feb-18	Lightower	Crown Castle International	9,112	13.7x	n/a
Apr-17	Interoute Communications	GTT Communications	2,512	11.5x	n/a
Dec-16	Spread Networks, LLC	Zayo	163	16.9x	n/a
Telecommunication providers median				13.3x	

Source: Deloitte analysis, company annual reports

Notes:

1. date of transaction completion

2. all enterprise values are based on 100% of the business. All interests sought were for a controlling interest. Enterprise values denominated in a foreign currency were translated to AUD at the relevant spot exchange rate as at the date of completion.



Appendix 5: Comparable companies betas

Description

The beta coefficient measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. Systematic risk measures the extent to which the return on the business or investment is correlated to market returns. A beta of 1.0 indicates that an equity investor can expect to earn the market return (i.e. the risk-free rate plus EMRP) from this investment (assuming no specific risks). A beta of greater than one indicates greater market related risk than average (and therefore higher required returns), while a beta of less than one indicates less risk than average (and therefore lower required returns).

Betas will primarily be affected by three factors which include:

- the degree of operating leverage employed by the firm in that companies with a relatively high fixed cost base will be more exposed to economic cycles and therefore have higher systematic risk compared to those with a more variable cost base
- the degree of financial leverage employed by a firm in that as additional debt is employed by a firm, equity investors will demand a higher return to compensate for the increased systematic risk associated with higher levels of debt
- correlation of revenues and cash flows to economic cycles, in that companies that are more exposed to economic cycles (such as retailers or energy and resources companies), will generally have higher levels of systematic risk (i.e. higher betas) relative to companies that are less exposed to economic cycles (such as regulated utilities).

They can also be influenced by the index against which they have been calculated, the time period over which they were calculated and the level of trading (liquidity) in the share of the relevant company. As such, in a market like Australia, immense care must be taken in the assessment of the appropriate beta.

Market evidence

In estimating an appropriate beta for Vocus we have considered the betas of selected listed companies, as presented in Appendix 3. These betas, which are presented below, have been calculated based on weekly and monthly returns, over two- and four-year periods, compared to a relevant domestic index.

Table 30: Analysis of betas for listed companies with comparable operations to Vocus

Company name	Country	Enterprise value ¹ (\$ million)	Debt to enterprise value (%)	Unlevered beta 4 years monthly	Unlevered beta 2 years weekly
Vocus Group Limited	Australia	4,471	24%	0.84	0.86
Integrated Carriers ANZ					
Telstra Corporation Limited	Australia	58,763	30%	0.59	0.62
TPG Telecom Limited	Australia	17,123	31%	0.51	0.96
Spark New Zealand Limited	New Zealand	9,583	20%	0.73	0.62
Uniti Group Limited	Australia	1,816	14%	1.03	n/m
Macquarie Telecom Group Limited	Australia	1,175	13%	0.82	0.90
MNF Group Limited	Australia	436	-	n/m	n/m
Superloop Limited	Australia	388	13%	1.00	1.25
5G Networks Limited	Australia	124	20%	1.19	1.12
Wholesale Carriers ANZ					
Chorus Limited	New Zealand	5,988	51%	0.50	n/m
Over the Wire Holdings Limited	Australia	297	14%	0.95	0.85
Resellers ANZ					
Aussie Broadband Limited	Australia	477	-	1.20	n/m
Integrated Carriers International					
T-Mobile US, Inc.	United States	330,141	38%	0.59	0.51



Company name	Country	Enterprise value ¹ (\$ million)	Debt to enterprise value (%)	Unlevered beta 4 years monthly	Unlevered beta 2 years weekly
Singapore Telecommunications Limited	Singapore	52,382	25%	0.74	0.80
Shaw Communications Inc.	Canada	23,194	26%	0.66	0.57
Wholesale Carriers International					
Cogent Communications Holdings, Inc.	United States	5,266	21%	0.55	n/m
Resellers International					
Freenet AG	Germany	5,263	24%	0.55	0.67
Distribution and transmission Infrastructure					
APA Group	Australia	21,021	44%	0.49	0.39
AusNet Services Ltd	Australia	16,731	58%	n/m	n/m
Vector Limited	New Zealand	6,538	43%	0.42	0.52
Spark Infrastructure Group	Australia	4,912	22%	0.51	0.50

Source: S&P Capital IQ, Deloitte analysis

Note:

1. enterprise value as at 31 March 2021.

Selected beta

In selecting an appropriate beta for Vocus we have considered the following:

- the unlevered beta of listed companies considered broadly comparable to Vocus in terms of size, operations and location;
- the relative riskiness of Vocus; and
- the relative weight of the three business segments of Vocus.

On this basis we have selected an unlevered beta in the range of 0.80 to 0.85 for Vocus.



Appendix 6: Implied price per subscriber

Deloitte considered acquisitions of telecommunication resellers in the consumer and SMB market in Australia to calculate the cost per subscriber implied by these transactions.

Table 31: Implied price per subscriber

Date	Target	Acquirer	Purchase price (\$'m)	Number of subscribers ('000s)	Price per customer (\$)
Aug-15	iiNet Ltd	TPG Telecom Limited	1,939	1,909	1,016
Feb-21	amaysim Australia Limited (Mobile business)	Optus Mobile Pty Limited	255	830	307
May-13	Dodo Australia Holdings Pty Ltd	M2 Group Ltd	204	660	309
Oct-20	Aussie Broadband Limited	IPO	150	368	407
Jan-12	Internode Pty Ltd	iiNet Ltd	105	260	404
Jan-16	Vaya	amaysim Australia Limited	20	140	143
Oct-19	Southern Phone	AGL	28	100	275
Jun-20	OVO mobile	amaysim Australia Limited	16	77	205
Dec-19	Jeenee Mobile	amaysim Australia Limited	8	42	187

Source: Deloitte analysis, company announcements and articles

Appendix 7: DCF Scenario 2

Imputation credits

The imputation tax system was introduced in Australia in 1987 to address the problem of double taxation of dividends under the classical company tax system.

Under the Australian dividend imputation framework, dividends paid by Australian corporations may be fully franked, unfranked, or partly franked. A fully franked dividend is one that is paid out of company profits which have fully borne tax at the company rate, which is currently 30% in Australia. Where the shareholder is an Australian resident, they will generally be entitled to a tax credit (an imputation credit or franking credit). If the recipient of the dividend is another company, the dividend will also give rise to a credit in that company's franking account, thereby increasing the potential for it to pay a franked dividend at a later stage. Generally, non-Australian investors cannot obtain material benefits from Australian franking credits, as franking credits can only be claimed against Australian taxable income.

A fully franked dividend received by an Australian investor is effectively "untaxed" as the imputation credits represents the prepayment of company tax. The availability of franking credits may be argued to increase the post-tax return for Australian resident investors by lowering the cost of capital of the business, and therefore has value attributable to it. On the contrary, it can also be argued that no value should be attributable to franking credits as a substantial portion of investors in the Australian market are foreign, and would therefore not realise any material benefits from the franking credits.

In a scenario where franking credits were to hold value, determining the value of franking credits would require an understanding of the individual tax position of shareholders to determine the ability of shareholders to utilise the franking credits to offset personal income. Accordingly, estimating and attributing a fair market value to the franking credits in the context of a merger or acquisition is a difficult exercise, as it requires assumptions around the hypothetical buyer and seller, and their respective tax profiles.

Whilst there is an argument against attributing value to franking credits in many situations, we accept that potential purchasers of an interest in an infrastructure or infrastructure-like asset will, in some cases, be able to utilise the benefit and ultimately ascribe value to it. This is because the relatively high predictability of cash flows generated by infrastructure and infrastructure-like assets enable investors to more accurately plan (and therefore value) the use of franking credits in accordance with their individual tax profile. Australian fund managers investing in alternative asset classes (such as infrastructure) as well as superannuation funds do, in our view, place value on franking credits, if available. We are also of the view that VNS displays characteristics that may be palatable to such investors and could therefore be valued also taking into account the value attributable to its future franking credits. The profile of MIRA and Aware Super supports this thesis. On the other hand, we consider Vocus Retail and Vocus NZ to have less appeal due to a greater proportion of cash flows underpinned by short and very short-term contractual arrangements.

Due to the controversy around the specific attribution of value to franking credits, for the purpose of our valuation, we have considered their potential value only in one of the scenarios considered (Scenario 2) and for the VNS operating segment only.

Approach to value imputation credits

Value associated with dividend imputation can be derived as follows:

- by adjusting the discount rate
- by adjusting the cash flows
- with no adjustment – on the basis that the observed equity market risk premium already includes the value that shareholders ascribe to franking credits in the market as a whole.

For Australian resident shareholders and institutional shareholders, the company tax may be considered to be a personal withholding tax, therefore, we are of the view that the most appropriate approach to assess the value of imputation credits is by adjusting the cash flows to incorporate the utilisation of franking credits by the notional acquirer of VNS. In addition, we note the following limitations in respect of the other approaches:

- due to compounding effects deriving from adjusting the cost of capital, we are of the view that this approach is suboptimal.



- given the universe of investors in the Australian market, it may be arguable that the market as a whole does place some value on franking credits. Accordingly, it may be argued the share trading prices (and therefore the EMRP) already incorporates the value that the mixed profile of shareholders ascribes to franking credits. However, it is likely that such lower required return is not homogenously allocable across the universe of Australian companies but rather, it is concentrated in those whose combination of tax structure, dividend policy and shareholder base maximise the value of franking credits. Accordingly, we are of the view that any value related to franking credits incorporated in EMRP is not sufficient to compensate for the benefit of franking credits.

On the basis of the above comments, we have selected a franking credit utilisation rate (that is, the portion of franking credits generated whose financial benefit is specifically ascribed a value to) of 50%. In particular, under DCF Scenario 2, we have modelled the portion of ungeared cash flows available to equity holders, assumed a 100% dividend policy and calculated the value of franking credits by offsetting the relevant assumed tax payment by the franking credit utilisation rate.



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ANNEXURE B

Scheme of
Arrangement

Annexure B

Scheme of Arrangement

Scheme of Arrangement pursuant to section 411 of the *Corporations Act 2001* (Cth)

Between

Vocus Group Limited (ACN 084 115 499) of level 10, 452 Flinders Street, Melbourne, Victoria, 3000 (**Vocus**).

And

Each holder of **Vocus Shares** recorded in the **Vocus Share Register** as at the **Scheme Record Date** (each a **Scheme Shareholder** and, together, the **Scheme Shareholders**).

Recitals

- A Vocus is an Australian public company limited by shares, registered under the Corporations Act, and has been admitted to the official list of the ASX. Vocus Shares are quoted for trading on the ASX.
- B Bidder is a company incorporated in Victoria, Australia (**Bidder**).
- C Vocus and Bidder have entered into a Scheme Implementation Deed dated 8 March 2021 (the **Scheme Implementation Deed**) pursuant to which:
 - (a) Vocus has agreed to propose this Scheme to Vocus Shareholders; and
 - (b) Vocus and Bidder have agreed to take certain steps to give effect to this Scheme.
- D If this Scheme becomes Effective, then:
 - (a) all of the Scheme Shares and all of the rights and entitlements attaching to them on the Implementation Date will be transferred to Bidder; and
 - (b) the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (c) Vocus will enter the name and address of Bidder in the Vocus Share Register as the holder of all of the Scheme Shares.
- E By executing the Scheme Implementation Deed, Vocus has agreed to propose and implement this Scheme, and Bidder has agreed to assist with that proposal and implementation, on and subject to the terms of the Scheme Implementation Deed.
- F Bidder has entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that Bidder will observe and perform the obligations contemplated of it under this Scheme.

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

In this document, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as 'ASX' operated by it.

ASX Listing Rules means the official listing rules of ASX.

Business Day means any day that is each of the following:

- (a) a Business Day within the meaning given in the ASX Listing Rules; and
- (b) a day that banks are open for business in Sydney, Australia.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Constitution means the constitution of Vocus, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.

Court means the Supreme Court of New South Wales Court or such other court of competent jurisdiction under the Corporations Act agreed to in writing between Vocus and Bidder.

Deed Poll means the deed poll executed on 14 May 2021 by Bidder in favour of the Scheme Shareholders.

Effective means, when used in relation to this Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means the date which is nine months after the date of the Scheme Implementation Deed, subject to any extension under clause 3.7 of the Scheme Implementation Deed.

Implementation Date means the fourteenth Business Day after the Scheme Record Date, or such other date as Vocus and Bidder may agree in writing.

Registered Address means, in relation to a Scheme Shareholder, the address of that Scheme Shareholder shown in the Vocus Share Register as at the Scheme Record Date.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Vocus and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court and agreed to by Bidder and Vocus (such agreement not to be unreasonably withheld or delayed) made or required by the Court under section 411(6) of the Corporations Act and agreed to by Vocus and Bidder.

Scheme Consideration means the consideration to be provided to each Vocus Shareholder for the transfer to Bidder of each Scheme Share being, in respect of each Scheme Share, a cash amount of \$5.50.

Scheme Meeting means the meeting of Vocus Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to this Scheme, and includes any adjournment or postponement of that meeting.

Scheme Orders means the orders of the Court made under section 411(4)(b) of the Corporations Act (and if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

Scheme Record Date means 7:00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between Vocus and Bidder.

Scheme Shares means the Vocus Shares on issue as at the Scheme Record Date.

Scheme Transfer means, in relation to each Scheme Shareholder, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the Corporations Act.

Second Court Date means the first day of hearing of an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Trust Account means an Australian dollar denominated trust account held with an Australian bank operated by Vocus (or by the Vocus Share Registry on behalf of Vocus) as trustee for the Scheme Shareholders.

Vocus Share Register means the register of members of Vocus maintained by or on behalf of Vocus in accordance with section 168(1) of the Corporations Act.

Vocus Share Registry means Computershare Investor Services Pty Limited of level 3, 60 Carrington Street, Sydney, New South Wales, 2000, or any replacement share registry services provider to Vocus.

Vocus Shares means fully paid ordinary shares issued in the capital of Vocus.

Vocus Shareholder means a person who is registered in the Vocus Share Register as a holder of Vocus Shares.

1.2 Interpretation

- (a) Headings are for convenience only and do not affect interpretation.
- (b) Mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included.
- (c) The following rules apply unless the context requires otherwise.
 - (i) The singular includes the plural, and the converse also applies.
 - (ii) A gender includes all genders.
 - (iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
 - (iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

Annexure B Scheme of Arrangement

- (v) A reference to a clause is a reference to a clause of this Scheme.
- (vi) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (vii) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.
- (viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).
- (ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (x) A reference to dollars or \$ is to Australian currency.
- (xi) Words and phrases not specifically defined in this Scheme have the same meanings (if any) given to them in the Corporations Act.
- (xii) A reference to time is to Sydney, Australia time.
- (xiii) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.

2 Conditions

2.1 Conditions Precedent

This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the Scheme Implementation Deed (other than the condition precedent relating to the approval of the Court set out in clause 3.1(d) of the Scheme Implementation Deed) has been satisfied or waived in accordance with the Scheme Implementation Deed;
- (b) as at 8.00am on the Second Court Date, neither the Scheme Implementation Deed nor the Deed Poll has been terminated in accordance with its terms;
- (c) the Court makes orders approving this Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act and that are agreed to Vocus and Bidder (such agreement not to be unreasonably withheld or delayed);
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and that are agreed to Vocus and Bidder (such agreement not to be unreasonably withheld or delayed); and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme come into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date.

2.2 Lapsing

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms unless Vocus and Bidder otherwise agree in writing.

3 Scheme becoming Effective

Subject to clause 2, this Scheme will take effect on and from the Effective Date.

4 Implementation of Scheme

- (a) If the conditions precedent in clause 2.1 are satisfied or waived, Vocus must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Scheme Orders as soon as possible and in any event before 5.00pm on the Business Day immediately following the day on which the Scheme Orders are entered, or such other date as agreed by Vocus and Bidder.
- (b) On the Implementation Date, subject to Bidder having satisfied its obligations in clause 5.2, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Vocus or any of its directors and officers as attorney and agent for Scheme Shareholders under this Scheme), by:
 - (i) Vocus delivering to Bidder for execution duly completed (and, if necessary, stamped) Scheme Transfers to transfer all of the Scheme Shares to Bidder (and one or more Scheme Transfers can be a master transfer of all or part of all of the Scheme Shares), duly executed by Vocus (or any of its directors and officers) as the attorney and agent of each Scheme Shareholder as transferor under clause 8.3;
 - (ii) Bidder executing the Scheme Transfers as transferee and delivering them to Vocus for registration; and
 - (iii) Vocus, immediately after receipt of the Scheme Transfers under clause 4(b)(ii), entering, or procuring the entry of, the name and address of Bidder in the Vocus Share Register as the holder of all of the Scheme Shares.

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, each Scheme Shareholder will be entitled to the Scheme Consideration for each Scheme Share held by that Scheme Shareholder.

5.2 Deposit of Scheme Consideration

Bidder must, by no later than 12.00pm on the date that is one Business Days before the Implementation Date, deposit (or procure the deposit) in cleared funds into the Trust Account an amount at least equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account.

5.3 Payment to Scheme Shareholders

- (a) On the Implementation Date, subject to Bidder having satisfied its obligations in clause 5.2, Vocus must pay or procure the payment, from the Trust Account, to each Scheme Shareholder the Scheme Consideration as that Scheme Shareholder is entitled under this clause 5.
- (b) The obligations of Vocus under clause 5.3(a) will be satisfied by Vocus (in its absolute discretion):
 - (i) where a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Vocus Share Registry to receive dividend payments from Vocus by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 5.3(b)
 - (i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.4).

5.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Vocus, the holder whose name appears first in the Vocus Share Register as at the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Vocus, the holder whose name appears first in the Vocus Share Register as at the Scheme Record Date or to the joint holders.

Annexure B Scheme of Arrangement

5.5 Cancellation and re-issue of cheques

- (a) Vocus may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to Vocus or the Vocus Share Registry; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Vocus or the Vocus Share Registry (which request may not be made until the date which is 20 Business Days after the Implementation Date), Vocus must reissue a cheque that was previously cancelled under clause 5.5(a).

5.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be paid to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.7 Unclaimed monies

- (a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (b) Vocus may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to Vocus; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (c) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Vocus (or the Vocus Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Vocus must reissue a cheque that was previously cancelled under this clause 5.7.

5.8 Remaining monies (if any) in Trust Account

To the extent that, following satisfaction of Vocus' obligations under the other provisions of this clause 5 and provided Bidder has by that time acquired the Scheme Shares in accordance with this Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of this Scheme, the Deed Poll and the Scheme Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by Vocus (or the Vocus Share Registry on Vocus' behalf) to Bidder.

5.9 Orders of a court

- (a) If written notice is given to Vocus (or the Vocus Share Registry) of an order or direction made by a court that:
 - (i) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Vocus in accordance with this clause 5, then Vocus shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
 - (ii) prevents Vocus from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibitive by applicable law, Vocus shall be entitled to (as applicable) retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration, until such time as payment in accordance with this clause 5 is permitted by that (or another) court or direction or otherwise by law.
- (b) To the extent that amounts are so deducted or withheld in accordance with clause 5.9(a), such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted as required.

6 Dealings in Vocus Shares

6.1 Dealings in Vocus Shares by Scheme Shareholders

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Vocus Shares will be recognised by Vocus provided that:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Vocus Share Register as the holder of the relevant Vocus Shares by the Scheme Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Vocus Share Registry by 5.00pm on the day which is the Scheme Record Date at the place where the Vocus Share Register is located (in which case Vocus must register such transfers or transmission applications before 7.00pm on that day),

and Vocus will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders nor for any other purpose (other than to transfer to Bidder pursuant to this Scheme and any subsequent transfers by Bidder and its successors in title), any transfer or transmission application in respect of Vocus Shares received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

6.2 Register

- (a) Vocus will, until the Scheme Consideration has been provided and the name and address of Bidder has been entered in the Vocus Share Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the Vocus Share Register in accordance with this clause 6, and the Vocus Share Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.
- (b) As from the Scheme Record Date (and other than for Bidder following the Implementation Date), each entry in the Vocus Share Register as at the Scheme Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Scheme Shares.
- (c) As soon as possible on or after the Scheme Record Date, and in any event within two Business Days after the Scheme Record Date, Vocus will ensure that details of the names, Registered Addresses and holdings of Vocus Shares for each Scheme Shareholder as shown in the Vocus Share Register are available to Bidder.

6.3 Effect of share certificates and holding statements

As from the Scheme Record Date (and other than for Bidder following the Implementation Date), all share certificates and holding statements for Scheme Shares (other than statements of holding in favour of Bidder) will cease to have effect as documents of title in respect of those Scheme Shares.

6.4 No disposals after Record Date

If this Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after 5.00pm on the Scheme Record Date (other than to Bidder in accordance with this Scheme and any subsequent transfers by Bidder and its successors in title), and any attempt to do so will have no effect and Vocus shall be entitled to disregard any such disposal, purported disposal or agreement.

7 Suspension and termination of quotation of Vocus Shares

- (a) Vocus must use best endeavours to ensure that ASX suspends trading of the Vocus Shares on ASX with effect from the close of business on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Bidder, Vocus must apply to ASX for termination of official quotation of the Vocus Shares on ASX and the removal of Vocus from the official list of ASX.

8 General provisions

8.1 Further assurances

- (a) Each Scheme Shareholder and Vocus will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it.
- (b) Without limiting Vocus' other powers under this Scheme, Vocus has power to do all things that it considers necessary or desirable to give effect to this Scheme and the transactions contemplated by it.

Annexure B Scheme of Arrangement

8.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

- (a) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of this Scheme; and
- (b) acknowledges and agrees that this Scheme binds Vocus and all Scheme Shareholders (including those that did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting) and, to the extent of any inconsistency, overrides the Constitution; and
- (c) irrevocably consents to Vocus and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Shareholder.

8.3 Appointment of Vocus as attorney for implementation of Scheme

Each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints Vocus as that Scheme Shareholder's agent and attorney for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4(b)(i); and
- (b) enforcing the Deed Poll against Bidder,

and Vocus accepts such appointment. Vocus, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 8.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

8.4 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Bidder, and, to the extent enforceable, to have appointed and authorised Vocus as that Scheme Shareholder's agent and attorney to warrant to Bidder, that all of their Scheme Shares (including all rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Bidder pursuant to this Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to Bidder pursuant to this Scheme. Vocus undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidder on behalf of that Scheme Shareholder.

8.5 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder will, at the time of transfer of them to Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) Immediately upon the deposit of the Scheme Consideration in the manner contemplated by clause 5.2, Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Vocus of the name and address of Bidder in the Vocus Share Register as the holder of the Scheme Shares.

8.6 Appointment of Bidder as attorney and agent for Scheme Shares

- (a) From the time that Bidder has satisfied its obligations in clause 5.2 until Bidder is registered in the Vocus Share Register as the holder of all Scheme Shares, each Vocus Shareholder:
 - (i) without the need for any further act by that Vocus Shareholder, irrevocably appoints Bidder as its proxy to (and irrevocably appoints Bidder as its agent and attorney for the purpose of appointing any director or officer of Bidder as that Vocus Shareholder's proxy and, where appropriate, its corporate representative to):
 - (A) attend shareholders' meetings of Vocus;
 - (B) exercise the votes attaching to the Vocus Shares registered in the name of the Vocus Shareholder; and
 - (C) sign any Vocus Shareholders' resolution;
 - (ii) must take all other action in the capacity of a Vocus Shareholder as Bidder reasonably directs; and
 - (iii) acknowledges and agrees that in exercising the powers referred to in clause 8.6(a), Bidder and any person nominated by Bidder under clause 8.6(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.
- (b) From the time that Bidder has satisfied its obligations in clause 5.2 until Bidder is registered in the Vocus Share Register as the holder of all Scheme Shares, no Vocus Shareholder may attend or vote at any meetings of Vocus Shareholders or sign any Vocus Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 8.6.

8.7 Alterations and conditions to Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions, Vocus may, by its counsel or solicitors, and with the prior written consent of Bidder:

- (a) consent on behalf of all persons concerned, including each Vocus Shareholder, to those alterations or conditions; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Vocus has consented to.

8.8 Enforcement of Deed Poll

Vocus undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Shareholders.

8.9 Consent

Each of the Scheme Shareholders consents to Vocus doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Vocus or otherwise.

8.10 Notices

- (a) Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Vocus, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Vocus' registered office or by the Vocus Share Registry, as the case may be.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Vocus Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.11 Duty

Bidder will:

- (a) pay all duty (including stamp duty and any related fines, penalties and interest) payable on or in connection with this Deed Poll and any instrument executed under or any transaction evidenced by this Deed Poll (including, the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to this Scheme); and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 8.11(a).

8.12 Governing law and jurisdiction

This document is governed by the laws of New South Wales. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there and courts of appeal from them in connection with matters concerning this document. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

ANNEXURE C

Deed Poll

EXECUTION VERSION

Deed Poll

This Deed Poll is made on 14 May 2021

By

Voyage Australia Pty Limited (ACN 648 332 772) of Level 8, 50 Martin Place, Sydney, NSW 2000 (*Bidder*)

In favour of

Each Scheme Shareholder

Recitals

- A Bidder and Vocus Group Limited (ACN 084 115 499) of Level 10, 452 Flinders Street, Melbourne, Victoria, 3000 (*Vocus*) have entered into a Scheme Implementation Deed dated 8 March 2021 (the *Scheme Implementation Deed*).
- B Vocus has agreed in the Scheme Implementation Deed to propose the Scheme, pursuant to which, subject to the satisfaction or waiver of certain conditions precedent, Bidder will acquire all of the Scheme Shares from Scheme Shareholders for the payment of the Scheme Consideration.
- C In accordance with the Scheme Implementation Deed, Bidder is entering into this Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that Bidder will observe and perform the obligations contemplated of it under the Scheme.

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

Terms defined in the Scheme Implementation Deed have the same meaning in this Deed Poll, unless the context requires otherwise.

1.2 Interpretation

The provisions of clause 1.2 of the Scheme Implementation Deed form part of this Deed Poll as if set out in full in this Deed Poll, and on the basis that references to 'this deed' in that clause are references to 'this Deed Poll'.

2 Nature of Deed Poll

Bidder acknowledges that:

- (a) this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms, even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder appoints Vocus as its agent and attorney to enforce this Deed Poll against Bidder on behalf of that Scheme Shareholder.

EXECUTION VERSION

3 Conditions precedent and termination

3.1 Conditions precedent

The obligations of Bidder under this Deed Poll are subject to the Scheme becoming Effective.

3.2 Termination

If the Scheme Implementation Deed is terminated before the Effective Date or the Scheme does not become Effective on or before the End Date, the obligations of Bidder under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect, unless Vocus and Bidder otherwise agree.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder is released from its obligations under this Deed Poll, except those obligations under clause 8.6; and
- (b) each Scheme Shareholder retains any rights, powers or remedies that Scheme Shareholder has against Bidder in respect of any breach of Bidder's obligations under this Deed Poll that occurred before termination of this Deed Poll.

4 Compliance with Scheme obligations

4.1 Obligations of Bidder

Subject to clause 3, Bidder covenants in favour of each Scheme Shareholder that it will observe and perform all obligations contemplated of Bidder under the Scheme, including the relevant obligations relating to the provision of the Scheme Consideration in accordance with the terms of the Scheme.

5 Representations and warranties

Bidder makes the following representations and warranties in respect of itself.

- (a) **(Status)** It is a corporation duly incorporated and validly existing under the laws of the place of its incorporation.
- (b) **(Power)** It has the power to enter into and perform its obligations under this Deed, and to carry out the transactions contemplated by this Deed.
- (c) **(Corporate authorisations)** It has taken all necessary corporate action to authorise the entry into and performance of this Deed Poll by it and to carry out the transactions contemplated by this Deed Poll.
- (d) **(Document binding)** This Deed Poll is its valid and binding obligation enforceable in accordance with its terms.
- (e) **(Transactions permitted)** The execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree binding on it; or
 - (ii) its constitution or other constituent documents.

EXECUTION VERSION

6 Continuing obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) Bidder having fully performed its obligations under this Deed Poll; and
- (b) termination of this Deed Poll under clause 3.

7 Further assurances

Bidder will, on its own behalf and, to the extent authorised by the Scheme, on behalf of each Scheme Shareholder, do all things and execute all deeds, instruments, transfers or other documents as may be necessary to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

8 General**8.1 Notices**

Any notice, demand, consent or other communication (a **Notice**) given or made under this Deed Poll:

- (a) must be in writing and signed by the sender or a person duly authorised by the sender;
- (b) must be sent by regular ordinary post (airmail if appropriate) to the addresses referred to below, or sent by email to the addresses referred to below:
 - (i) to Bidder: Address: Level 8, 50 Martin Place, Sydney, NSW 2000
Email: miralegal@macquarie.com
Ian.Pendleton@aware.com.au;
Attention: Company Secretary
with a copy to (which by itself does not constitute a Notice) to:
Ani.Satchcroft@macquarie.com;
Mitch.Ainsworth@macquarie.com;
Verena.Lim@macquarie.com;
John.Lee@macquarie.com;
CCondoleon@gtlaw.com.au; and
KKo@gtlaw.com.au.
- (c) will be conclusively taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, six Business Days after the date of posting (if posted to an address in the same country) or ten Business Days after the date of posting (if posted to an address in another country); and
 - (iii) in the case of email, at the earliest of:
 - (A) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;
 - (B) the time that the intended recipient confirms receipt of the email by reply email; and
 - (C) two hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, within that

EXECUTION VERSION

two hour period, an automated message that the email has not been delivered,

but if the result is that a Notice would be taken to be given or made:

- (iv) in the case of delivery by hand or post, at a time that is later than 5pm;
- (v) in the case of delivery by email, at a time that is later than 7pm; or
- (vi) on a day that is not a business day,

in the place specified by the intended recipient as its postal address under clause 8.1(b), it will be conclusively taken to have been duly given or made at the start of business on the next business day in that place.

8.2 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by Bidder or by any Scheme Shareholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

8.3 Remedies cumulative

The rights, powers and remedies of Bidder and of each Scheme Shareholder under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

8.4 Amendment

No amendment or variation of this Deed Poll is valid or binding unless:

- (a) either:
 - (i) before the Second Court Date, the amendment or variation is agreed to in writing by Vocus and Bidder (which such agreement may be given or withheld without reference to or approval by any Scheme Shareholder); or
 - (ii) on or after the Second Court Date, the amendment or variation is agreed to in writing by Vocus and Bidder (which such agreement may be given or withheld without reference to or approval by any Scheme Shareholder), and is approved by the Court; and
- (b) Bidder enters into a further deed poll in favour of the Scheme Shareholders giving effect to that amendment or variation.

8.5 Assignment

The rights and obligations of Bidder and of each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior consent of Bidder and Vocus.

8.6 Duty

Bidder will:

- (a) pay all duty (including stamp duty and any related fines, penalties and interest) payable on the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme; and

EXECUTION VERSION

- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 8.6(a).


8.7 Governing law and jurisdiction

This Deed Poll is governed by the laws of New South Wales. Bidder submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Deed Poll.

EXECUTION VERSION

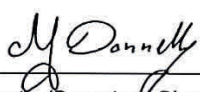
Executed and delivered as a Deed Poll.

Executed as a deed in accordance with
section 127 of the *Corporations Act 2001*
(Cth) by **Voyage Australia Pty Limited**:



Director Signature
ANI SATCHCROFT

Print Name



Director/Secretary Signature
Maria Donnelly

Print Name

For personal use only

ANNEXURE D

Notice of Meeting

Annexure D

Notice of Meeting

VOCUS GROUP LIMITED

NOTICE OF MEETING OF REGISTERED HOLDERS OF FULLY PAID ORDINARY SHARES IN VOCUS.

NOTICE IS HEREBY GIVEN, that a Scheme Meeting of Vocus Shareholders will be held virtually at 10.00am (Sydney time) on Tuesday 22 June 2021.

As a result of the potential health risks associated with large gatherings and the ongoing COVID-19 pandemic, the Scheme Meeting will be a virtual (online only) meeting. The health of Vocus Shareholders, employees and other meeting attendees is of paramount importance and, therefore, there will not be a physical meeting where Vocus Shareholders or their proxies, attorneys or corporate representatives can attend in person.

Instead, Vocus Shareholders are invited to participate in the Scheme Meeting using an online platform. This online platform will enable participants to view the Scheme Meeting live, ask questions online and vote on the Scheme Resolution in real time.

The Court has directed that Robert (Bob) Mansfield, or failing him, David Wiadrowski act as chair of the meeting and has directed the chair to report the result of the meeting to the Court.

BUSINESS

The purpose of the Scheme Meeting to be held pursuant to this Notice of Meeting is to consider, and if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between Vocus and Vocus Shareholders.

SCHEME RESOLUTION

To consider and, if thought fit, to pass the following resolution:

That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Vocus Group Limited ("Vocus") and the holders of its fully paid ordinary shares, the terms of which are contained in and more particularly described in the Scheme Booklet of which the notice convening the Scheme Meeting forms part, is approved (with or without alteration or conditions as approved by the Supreme Court of New South Wales and agreed to by Vocus and Voyage) and, subject to approval of the Scheme by the Court, the Vocus Board is authorised to implement the Scheme with any such alterations or conditions.

VOTING EXCLUSION STATEMENT

Voyage and its associates (as defined in section 12 of the Corporations Act) are excluded from voting on the Scheme Resolution, unless:

- the vote is cast by the associate as proxy for a person who is not excluded from voting, in accordance with that person's directions on the Proxy Form; or
- the associate is acting solely as an investment manager, custodian, nominee, trustee, responsible entity or other fiduciary on behalf of a third party beneficiary or third party investor, who is not an associate of Voyage.

VOCUS BOARD COMMENT AND RECOMMENDATIONS

For the reasons set out in the Scheme Booklet, the Vocus Board unanimously recommends that eligible Vocus Shareholders vote in favour of the Scheme Resolution in the absence of a Superior Proposal.²⁵



Simon Lewin
Company Secretary
Vocus Group Limited

NOTES TO THE NOTICE OF MEETING

These notes should be read in conjunction with the Notice of Meeting and the information in the Scheme Booklet of which that notice forms part. Unless the context requires otherwise, terms used in the Notice of Meeting and in these notes have the same meaning as set out in section 9 (Glossary and interpretation) of the Scheme Booklet.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be passed by:

- more than 50% in number (unless the Court orders otherwise) of eligible Vocus Shareholders who are present and voting, either in person or by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative at the Scheme Meeting; and
- at least 75% of the total number of votes cast on the Scheme Resolution by eligible Vocus Shareholders.

Entitlement to vote

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 10.00am (Sydney time) on Sunday 20 June 2021 (being the Scheme Meeting Record Date).

Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

Voting at the Scheme Meeting

You can vote in either of the following ways:

- by virtually attending the Scheme Meeting scheduled to be held at 10.00am (Sydney time) on Tuesday 22 June 2021 through an online platform (details of which are set out below); or
- by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to virtually attend and vote at the Scheme Meeting on your behalf.

Voting will be conducted by poll.

Voting yourself

You will be able to attend and vote at the Scheme Meeting through an online platform by using a **web browser** at <https://web.lumiagm.com/> on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

The **meeting ID** for the Scheme Meeting is: 380-763-474

Your **username** is your SRN/HIN.

Your **password** is the postcode of your registered address for your holding if you are an Australian shareholder. If you are an overseas shareholder, your password is your three-character country code.

Please refer to the online meeting user guide at www.computershare.com.au/virtualmeetingguide for further details.

If you attend the online Scheme Meeting and vote in your capacity as a Vocus Shareholder, any votes cast by your proxy or attorney (if any) will not be counted.

Annexure D Notice of Meeting

Proxies

If you are unable to attend the online Scheme Meeting, you are encouraged to appoint a proxy to attend online and vote on your behalf. If you wish to appoint a proxy, please complete the enclosed Proxy Form.

Vocus Shareholders are notified that:

- a member who is entitled to attend and cast a vote at the meeting may appoint a proxy to attend and vote for the member;
- the appointment may specify the proportion or number of votes that the proxy may exercise;
- a member who is entitled to cast two or more votes at the meeting may appoint two proxies and may specify the proportion or number of votes each proxy is entitled to exercise. If you appoint two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes; and
- a proxy may be an individual or a body corporate and need not be a member of Vocus. If an eligible Vocus Shareholder appoints a body corporate as a proxy, the body corporate will need to ensure that it appoints an individual as the corporate representative and provides satisfactory evidence of that appointment.

Voting by Proxy

You can direct your proxy to vote by following the instructions on the Proxy Form.

If the Chair of the meeting is appointed as your proxy (or is appointed your proxy by default), he can be directed how to vote by ticking the relevant boxes next to the Scheme Resolution on the Proxy Form (i.e. 'for', 'against' or 'abstain'). The Chair of the meeting is required to cast all votes as directed. The Chair of the Scheme Meeting intends to vote all undirected and available proxies in favour of the Scheme Resolution.

Any directed proxies that are not voted on a poll at the online Scheme Meeting by a Vocus Shareholder's appointed proxy will automatically default to the Chair of the meeting, who is required to vote proxies as directed on a poll.

Lodging by proxies

The Proxy Form must be received by Vocus or Computershare by 10.00am (Sydney time) on Sunday 20 June 2021. The completed Proxy Form may be submitted:

- online to Vocus' Share Registry by visiting the website, www.investorvote.com.au. You will need your Holder Identifier (Securityholder Reference Number (SRN) or Holder Identification Number (HRN) as shown on your Proxy Form) and the control number 135082. You will be taken to have signed the Proxy Form if you lodge in accordance with the instructions on the website;
- by mail (using the reply paid envelope included with the Scheme Booklet) to Vocus Group Limited, C- Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Vic 3001;
- by fax to Computershare Investor Services Pty Limited on 1800 783 447 within Australia or +61 3 9473 2555; or
- by hand delivering it to Computershare Investor Services Pty Limited at Yarra Falls, 452 Johnston Street, Abbotsford, VIC, 3067 during business hours (Monday – Friday, 9.00am – 5.00pm (Sydney time)).

Vocus Shareholders should contact the Shareholder Information Line on 1300 219 444 (callers in Australia) or +61 3 9415 4326 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday (excluding days which are public holidays in New South Wales) with any queries regarding the number of Vocus Shares they hold, how to vote at the Scheme Meeting or how to lodge the Proxy Form.

A replacement Proxy Form may be obtained from the Vocus Share Registry, Computershare.

Further details in respect of the Scheme Resolution to be put to the Scheme Meeting are set out in the accompanying Scheme Booklet.

Lodging Online

At **www.investorcentre.com**

Select 'Investor Login' and enter Vocus Group Limited or the ASX Code (VOC) in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your Proxy Form), postcode (or country of origin if located outside of Australia) and security code which is shown on the screen and click 'Login'.

Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge in accordance with the instructions given on the website.

Voting by corporate representative

If you are a body corporate, you can appoint a corporate representative to attend and vote at the online Scheme Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

To vote by corporate representative, a corporate representative must provide written evidence of their appointment by obtaining and completing an 'Appointment of Corporate Representative' form from Computershare or online at www.investorcentre.com under the help tab, 'Printable Forms'. Corporate representative forms must be provided to the Vocus Share Registry by no later than 10.00am (Sydney time) on Sunday 20 June 2021. A corporate representative form may be submitted in the same manner as a completed Proxy Form, as described above.

A validly appointed corporate representative wishing to attend and vote at the online Scheme Meeting will require the name, Shareholder Number and postcode of the body corporate that appointed it in order to access the online platform.

Voting by attorney

Certified copies of powers of attorney must be received by the Vocus Share Registry by no later than 10.00am (Sydney time) on Sunday 20 June 2021. A certified copy of a power of attorney may be submitted in the same manner as a completed Proxy Form, as described above.

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the Scheme Resolution put to this Scheme Meeting is passed by the Requisite Majorities and the other conditions are satisfied or waived (if applicable), Vocus intends to apply to the Court on or around Thursday 24 June 2021 for approval of the Scheme.

Changes to the current arrangement

Due to the constantly evolving response to COVID-19 pandemic and potentially unforeseen circumstances, Vocus may be required to make changes to the arrangements for the Scheme Meeting. If there are any updates, Vocus will ensure that Vocus Shareholders are given as much notice as possible. Further information will also be made available at <https://www.vocusgroup.com.au/investors/>.

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Corporate directory

Registered office and principal place of business

Vocus Group Limited

Level 10
452 Flinders Street
Melbourne VIC 3000

Legal adviser

Allens

Deutsche Bank Place
Corner Hunter and Philip Streets
Sydney NSW 2000

Financial adviser

Credit Suisse

Level 31 Gateway
1 Macquarie Place
Sydney NSW 2000

Independent Expert

Deloitte Corporate Finance Pty Limited

225 George Street
Sydney NSW 2000

Vocus Share Registry

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Share registry telephone: 1300 850 505

Stock exchange listing

Vocus Group Limited shares are listed on the
Australian Securities Exchange (ASX Code: VOC)

Company Website

<https://www.vocus.com.au/>

Investor Website

<https://www.vocusgroup.com.au/investors/>

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