M2 ANNOUNCES ACQUISITION OF DODO
AND
RECOMMENDED TAKEOVER OFFER FOR EFTEL LIMITED

- M2 to acquire 100% of Dodo Australia Holdings Pty Ltd ("Dodo") for $203.9 million, on a debt-free and cash-free basis
- M2 to make a recommended off-market takeover offer for Eftel Limited ("Eftel") at an offer price of $0.3581 per share with cash or scrip consideration alternatives, implying a total enterprise value for Eftel of $44.1 million (inclusive of $5.6 million net debt)
- Management expects the Acquisitions to contribute in excess of $400 million revenue and $50 million EBITDA in FY14, implying an indicative EBITDA valuation multiple for the Acquisitions of approximately 5.0x
- Based on median broker FY14 EPS estimates[1] for M2 and assuming the Acquisitions contribute in excess of $50 million of EBITDA, the Acquisitions are expected to result in underlying FY14 EPS[2,3] accretion of approximately 20%[4]
- M2 will fund the Acquisitions and refinance existing debt through a combination of new fully underwritten 3 year, $400 million loan facilities and the issue of approximately 19.2 million ordinary shares of M2 to Dodo and Eftel shareholders
- Upon completion of the Acquisitions, M2 expects its pro forma leverage to be approximately 1.8x net debt / FY14 EBITDA[5]

Monday, 18 March 2013: M2 Telecommunications Group Ltd ("M2", ASX: MTU) today announced that it has entered into a binding Share Sale Agreement to acquire 100% of Dodo Australia Holdings Pty Ltd and its related bodies corporate ("Dodo"). M2 also announced that it has signed a Bid Implementation Agreement ("BIA") with Eftel Limited ("Eftel", ASX: EFT) whereby M2 will make a recommended off-market takeover offer for all of the issued shares in Eftel ("Offer") (together, "the Acquisitions").

The Acquisitions are expected to provide numerous benefits to M2, including:

- a large, profitable and organically growing consumer telecom business which is highly complementary to M2's existing sizable consumer division
- a proven management team experienced in the consumer segment, including expertise in delivering low cost new customer acquisition through highly targeted marketing and sales campaigns
- a nationally recognised low-cost brand (Dodo) which is well positioned to grow market share in the transition to an NBN world

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[1] Median broker estimate for underlying FY14 EPS is $0.41 per share as of 18 March 2013.

[2] Underlying EPS includes an add-back of a non-cash cost for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards).

[3] Australian Accounting Standards allow for 12 months from completion to finalise accounting and purchase price allocation. Fair value adjustments will be subject to purchase price allocation after completion. No amortisation charge has been included for any customer contracts deemed under Australian Accounting Standards, to have been acquired through the acquisition of Dodo and Eftel.

[4] Based on M2's current expectations for the earnings contribution from Dodo and Eftel in FY14 that were developed as part of M2's due diligence, and there being no material change to the run rate performance or growth of those businesses during the period.

[5] Based on the median of broker estimates for FY14 EBITDA and M2 Management expectations for Dodo and Eftel FY14 EBITDA.

- established, refined low-cost back-of-house operations and associated systems / technologies
- established capability, systems, licenses and customer base in electricity and gas, offering considerable cross-sell and new customer organic growth opportunities
- delivery of considerable scale to M2's business, with combined FY14 revenues in excess of $1 billion, providing numerous opportunities for both short and long term cost synergies and operational efficiencies

M2 CEO, Geoff Horth, said, "*We are excited to bring Dodo into the M2 Group and are confident that our offer to Eftel shareholders will be well received. The acquisitions are an excellent complement to our consumer division and combined, our business possesses an excellent capability to grow our share of both the consumer and small to medium business markets. Throughout the due diligence process we were very pleased to find the businesses to be highly efficient with robust internal systems and processes; a testament to the skill and dedication of the Dodo and Eftel teams. We look forward to welcoming the Dodo and Eftel teams to the M2 Group.*"

The Dodo Acquisition

M2 has entered into a binding Share Sale Agreement to acquire 100% of Dodo for a combination of cash and scrip consideration, valuing Dodo at $203.9 million, on a debt-free and cash-free basis. The transaction is expected to complete in early May 2013. The acquisition of Dodo is not conditional on completion of the Eftel Offer.

Dodo is a privately owned telecommunications company founded in 2001 by Directors Larry Kestelman and Michael Slepoy. The company is focussed principally on the residential market in Australia and offers a range of competitively priced products and services including broadband, home phone, mobile wireless broadband and mobile services, in addition to other essential services including electricity, gas and insurance.

Dodo's power and gas business was launched in 2011, offering electricity principally to residential customers in Victoria. Since then, the business has expanded its electricity offering into New South Wales and Queensland and more recently has started offering gas to customers in Victoria. Dodo has obtained licenses to retail both electricity and gas in Victoria, New South Wales, Queensland, South Australia and the ACT. Dodo offers its insurance product as an authorised representative of A&G Insurance Services ("AGIS") and arranges the issue of policies on behalf of AGIS.

The Eftel Offer

M2 has entered into a Bid Implementation Agreement with Eftel whereby M2 will make a recommended off-market takeover offer for all of the issued shares in Eftel. Under the terms of the Offer, Eftel shareholders may elect to receive either of the following forms of consideration:

(a) one share in M2 for every 12.34 Eftel Shares ("**All Shares" Election**)[6]; or

(b) $0.3581 cash for each Eftel Share ("**All Cash" Election**).

[6] This is based on M2's volume weighted average share price ("VWAP") on the ASX over the 30 calendar days prior to 15 March 2013 (being the last trading day prior to announcement of the Offer). For those Eftel Shareholders making an "All Shares" Election, the actual value of the Offer Consideration will vary depending on the price of M2 Shares during the Offer Period.

This represents a premium of:

- 30.2% based on Eftel's closing share price on 13 March 2013 **("Premium Reference Date")**[7];
- 18.0% based on Eftel's 10 day VWAP to the Premium Reference Date; and
- 17.2% based on Eftel's 30 day VWAP to the Premium Reference Date.

The Offer implies an enterprise value for Eftel of approximately $44.1 million.

The Offer is subject to limited conditions, being a 90% minimum acceptance condition, no Material Adverse Change in relation to Eftel, no prescribed occurrence events in relation to Eftel and no regulatory intervention. The Offer is not conditional on completion of the acquisition of Dodo.

The Eftel Directors unanimously recommend that Eftel shareholders accept the Offer, in the absence of a superior proposal.

Commenting on the Offer, Mr Kestelman, a Director of Eftel stated:

"M2's offer represents an attractive value proposition for Eftel shareholders. The transaction is a unique opportunity to increase Eftel's presence nationally, enhance its product and service offering to its customers, and create a combined entity that will have a strong and sustainable future. Accordingly, I intend to accept the Offer and make an "All Shares" Election for all of the Eftel Shares that I own or otherwise control, in the absence of a superior proposal."

Each other Eftel Director has also notified M2 that they intend to accept the Offer and make an "All Shares" Election in respect of all Eftel Shares they or their associated entities own or otherwise control, in the absence of a superior proposal.

Collectively, the Eftel and Dodo Directors and their associated entities control approximately 88% of all Eftel Shares on issue.

The Bid Implementation Agreement includes customary termination provisions, exclusivity restrictions by Eftel in favour of M2 including a right to be notified of and to match any competing proposal, as well as provision for the payment of a $1 million reimbursement fee by Eftel to M2 or by M2 to Eftel if the Offer does not complete in specific circumstances. An executed copy of the Bid Implementation Agreement accompanies this announcement (Appendix 1).

M2 has entered into a pre-bid option deed with an entity controlled by Larry Kestelman, under which that entity has granted a call option to M2 over 19.9% of the issued Eftel shares that this entity owns or otherwise controls. The full terms of the pre-bid option deed will be separately disclosed by M2 to the ASX.

[7] M2 considers that the closing price of Eftel Shares on 13 March 2013 provides the most accurate reference to the undisturbed share price of Eftel prior to the announcement of the Offer on 18 March 2013. The closing price of Eftel Shares on 14 March 2013 (being the last trading date prior to Eftel seeking a trading halt in its shares) exhibited abnormal price and volume patterns.

The indicative timetable in relation to the Offer is set out below:

Key Event	Date
Lodgment of M2's Bidder's Statement with ASIC, ASX and Eftel	Late March 2013
Dispatch of Bidder's Statement	Early April 2013
M2's Offer opens	Early April 2013
M2's Offer closes (unless extended)	Early May 2013

Financial Impact, Acquisition Funding and FY13 Earnings Guidance

Based on median broker FY14 EPS estimates[8] for M2 and assuming the Acquisitions contribute in excess of $50 million of EBITDA, the Acquisitions are expected to result in underlying FY14 EPS[9,10] accretion of approximately 20%[11].

M2 will fund the Acquisitions and refinance existing debt through a combination of new fully underwritten 3 year, $400 million loan facilities and the issue of approximately 19.2 million ordinary shares of M2 to Dodo and Eftel shareholders (assuming that all Eftel Shareholders make an "All Shares" Election).

Upon completion of the Acquisitions, M2 expects its pro forma leverage to be approximately 1.8x net debt / FY14 EBITDA[12]. Following the Acquisitions, the M2 Board of Directors aims to maintain its current dividend payout ratio of 70% of net profit after tax. Consistent with existing M2 Board policy, use of cash surplus will be considered for accelerated debt reduction.

On a standalone basis and absent any impact of the Acquisitions during the financial year ending 30 June 2013 ("FY13"), M2 is on track to report underlying earnings at or above the mid point of previously released earnings guidance. Taking into account the Acquisitions, the nominal contribution to earnings in FY13 derived from the Acquisitions is expected to be more than offset by stamp duty and other transaction costs incurred by M2 before the end of the financial year. As a result, pro forma for the Acquisitions, M2 expects to report FY13 underlying earnings towards the lower end of its previous guidance range.

M2 shares issued to shareholders of Dodo / majority shareholders of Eftel

On completion of the acquisition of Dodo, Mr Kestelman and Mr Slepoy may together receive up to approximately 10.5 million M2 shares. On completion of the Eftel takeover offer, Mr Kestelman and Mr Slepoy's associated entities will, if they make an "All Shares" Election, together receive a further (approximate) 6.9 million M2 shares. In aggregate, Mr Kestelman and Mr Slepoy will on completion of the Acquisitions own up to approximately 17.4 million shares in M2, representing approximately 9.8% of M2's pro forma shares on issue.

[8] Median broker estimate for underlying FY14 EPS is $0.41 per share as of 18 March 2013.

[9] Underlying EPS includes an add-back of a non-cash cost for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards).

[10] Australian Accounting Standards allow for 12 months from completion to finalise accounting and purchase price allocation. Fair value adjustments will be subject to purchase price allocation after completion. No amortisation charge has been included for any customer contracts deemed under Australian Accounting Standards, to have been acquired through the acquisition of Dodo and Eftel.

[11] Based on M2's current expectations for the earnings contribution from Dodo and Eftel in FY14 that were developed as part of M2's due diligence, and there being no material change to the run rate performance or growth of those businesses during the period.

[12] Based on the median of broker estimates for FY14 EBITDA and M2 Management expectations for Dodo and Eftel FY14 EBITDA.

Mr Kestelman has agreed with M2 to certain restrictions as to how he may deal with the M2 shares that he will receive as consideration under the Eftel Offer or on any exercise by M2 of the call option referred to earlier in this announcement. Those restrictions include a lock up period of 12 months. A summary of the Restriction Deed also accompanies this announcement (Appendix 2).

Advisers

Goldman Sachs and / or its affiliates ("Goldman Sachs") is acting as exclusive financial adviser to M2 in relation to the Acquisitions and sole mandated lead arranger, underwriter and bookrunner to the $400 million acquisition facilities. Ernst and Young provided independent financial due diligence to M2 in relation to the Acquisitions. KPMG provided independent advice to M2 in respect of the Dodo power and gas business. Minter Ellison is acting as legal adviser to M2 in relation to the Acquisitions.

Investor conference call – 10.30am

Geoff Horth will provide an overview of the transaction, followed by a short Q&A session.

Dial-in details:
Conference ID: 2382 7557 this will need to be quoted when joining the call.
Australian Toll free access number: 1800 123 296
All other international locations dial: + 61 2 8314 8370 (standard call charges will apply)

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About M2 Telecommunications Group Ltd

Established in 1999, M2 Telecommunications Group Ltd ("M2", ASX: MTU) is one of Australia's largest and most profitable telecommunication service providers, supplying a broad range of telecommunications products and services to both the retail and wholesale markets. Headquartered in Melbourne, M2 employs approximately 950 people across Australia and New Zealand.

M2's retail division targets the small to medium business ("SMB") market under the Commander brand and the residential market under the iPrimus brand. M2 offers a full suite of traditional and next generation telecommunications services including fixed line voice services, 3G mobile, mobile broadband, ADSL2 broadband, hosted / managed data services and IP / hosted voice solutions.

M2's Wholesale division provides wholesale fixed line, mobile and data telecommunications services to small and medium-sized telecommunications service providers and Internet Service Providers.

M2 has consistently delivered growth in profit year-on-year since listing on the ASX in 2004 and in June 2012 was added to the S&P / ASX200.

For more about M2 visit www.m2.com.au/Investor-Centre.

Related Company sites (part of the M2 Group):

- www.commander.com
- www.iprimus.com.au
- www.bw.co.nz
- www.m2wholesale.com.au

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