24 February 2011

Macquarie Telecom more than doubles net profit after tax for the half-year

Key Points

- Macquarie Telecom delivers net profit after tax (NPAT) from continuing operations of $9.7 million for the six months ended 31 December 2010, up 102% on the six months ended 31 December 2009 ("previous corresponding period").

- Declares a fully franked interim dividend of 10 cents per share.

- Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations of $20.3 million, an increase of 48 per cent on previous corresponding period, including a one-off benefit from the settlement of a prior year dispute of $1.5 million.

- Macquarie Telecom maintains a healthy balance sheet with cash and cash equivalents of $45.4 million, having generated strong operating cash flows of $17.6 million.

- Launch of Australian Enterprise Managed Cloud and Self-Managed Cloud offerings.

- Investment of $60 million to expand Hosting and Cloud computing capacity.

- Positive outlook for fiscal 2011 with profitable growth expected to continue.

Macquarie Telecom (ASX: MAQ), a leading provider of Hosting and Telco services to Australian business and government customers, today announced that NPAT from continuing operations had increased to $9.7 million, from $4.8 million in the previous corresponding period, a significant improvement of 102 per cent.

The company also announced that, in line with earnings guidance, EBITDA from continuing operations had risen to $20.3 million for the six months ended 31 December 2010, compared to $13.7 million in the previous corresponding period, representing an increase of 48 per cent.

The Chairman of Macquarie Telecom, Robert Kaye, said: "Macquarie Telecom has again delivered a strong half year result. Its strategy to transition to a higher-margin mix of revenue is being successfully executed upon."

Macquarie Telecom's Hosting business displayed continued strong revenue growth of 27 per cent on the previous corresponding period, contributing $26.1 million or 23 per cent to total revenue. The profitability of the Hosting business also increased during the six months with an EBITDA of $7.7 million, up 23.8 per cent on the previous corresponding period.

Macquarie Telecom's Telco (Data, Voice and Mobile) business remains an important part of the company's overall offering, also delivering $89.7 million in revenue and an EBITDA profit of $15.8 million, up 48.9 per cent on the previous corresponding period. Strict cost control has improved margins in the Telco business.

Capital expenditure on customer equipment, network and facility maintenance, and support for the six months ended 31 December 2010 was $9 million. In addition, as announced on 25th of October, Macquarie Telecom purchased land and an existing building in North Ryde for $10.8 million, which settled in December 2010, to accommodate its new data centre facility.

Strategy and Outlook

Macquarie Telecom remains focused on being Australia's number one Managed Hosting and integrated Telco provider to business and government customers through the delivery of service excellence.

Macquarie Telecom Chief Executive, David Tudehope, said "the company is experiencing increased demand for its hosting services due to the growing trend of selective outsourcing of internal Information Technology.

"We believe this trend of outsourcing is accelerating due to higher speed internet connectivity driving new web technology and the associated demand for managed hosting. In addition, we believe the emergence of cloud computing, which is a natural extension of managed hosting, will increase this trend and provide new market opportunities for Macquarie Telecom," Mr Tudehope said.

On 27th of January Macquarie Telecom launched its Australian Enterprise Managed Cloud offering.

"This is an Enterprise Managed Cloud offering to challenge global cloud vendors. The service eliminates data residency, latency, regulatory and customer service cloud concerns and is a global first allowing companies to burst from WAN connected in-house infrastructure to the Cloud," said Mr Tudehope.

Positive Outlook for FY2011

EBITDA from continuing operations for the full year is expected to be between $37 million and $39 million. The expected result represents an increase in EBITDA of approximately 30 per cent on the previous corresponding period.

Capital expenditure for fiscal 2011, excluding the new data centre development at North Ryde, is expected to be approximately $18 to $20 million, driven by continued strong Hosting sales.

Phase one of the new data centre facility project in North Ryde will see a further $49 million invested into mechanical, electrical, plant and equipment needs. $30 million of this investment is expected to be made in Calendar 2011. This is in addition to the $10.8 million purchase of land and an existing building which settled in December 2010.

--ends--

For more information, please contact:

MAGNUS Investor Relations + Corporate Communication
John Gardner
(02) 8999 1001 or 0413 355 997
Dudley White
(02) 8999 1002 or 0413 439 883

About Macquarie Telecom

Macquarie Telecom is Australia's number one Managed Hosting and integrated Telco provider to business and government customers through the delivery of service excellence.

Macquarie Telecom delivers a full range of Hosting, Data, Voice and Mobile services specifically to the business and government market. Established in 1992, Macquarie Telecom is one of the first telecommunication providers of the deregulated era and successfully publicly listed on the Australian Securities Exchange in October 1999. Macquarie Telecom was judged the best telecommunications provider for customer care in the World at the World Communication Awards in November 2008. Macquarie Telecom was honoured with the "Best Customer Care" because of its unique Personal Accountable Service (PAS) program. PAS is their attitude and commitment to delivering a superior experience for customers through Ownership, Proactivity, Communication and Responsiveness.

Head office, Level 20, 2 Market Street, Sydney 2000.
www.macquarietelecom.com