

ASX Announcement

25 August 2011

Macquarie Telecom delivers 70% increase in NPAT for FY2011, continues to invest in data centre expansion and Cloud Computing

Key Points

- Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations of \$37.2 million, an increase of 28% on the previous corresponding period.
- Net profit after tax (NPAT) from continuing operations of \$17.7 million for the year ended 30 June 2011, up 70% on the previous 12 months.
- A healthy balance sheet maintained with cash and cash equivalents of \$53.5 million, having generated strong operating cash flows of \$38.9 million.
- \$30 million undrawn working capital facility in place.
- Investment of \$60 million in data centre expansion.
- Declares a fully franked final dividend of 12.0 cents per share, with the total dividend for fiscal 2011 being 22.0 cents per share fully franked.
- Positive outlook for fiscal 2012 and ongoing investment in future growth opportunities.

Macquarie Telecom (ASX: MAQ), a leading provider of Hosting and Telco services to Australian business and government customers, announces net profit after tax (NPAT) from continuing operations of \$17.7 million for the year ending 30 June 2011, up from \$10.4 million in the previous corresponding period and representing a significant increase of 70 per cent.

In line with previous guidance, the company has delivered earnings before interest, taxation, depreciation and amortisation (EBITDA) from continuing operations of \$37.2 million, including a one-off benefit from the settlement of a prior year dispute of \$1.5 million. This result, compared to \$29.0 million in the previous corresponding period, represents an increase of 28 per cent.

The strong NPAT and EBITDA results were achieved from total revenue for the period of \$227.5 million, down slightly on the previous corresponding period.

The Chairman of Macquarie Telecom, Robert Kaye, said: "Macquarie Telecom has again delivered a strong full year result whilst expanding its market leadership position in the provision of mission critical application hosting to Australian business and government customers."

Macquarie Telecom's Hosting business continued its strong revenue performance, growing by 20.7 per cent when compared to the previous corresponding period, contributing \$53.7 million, or 24 per cent of total revenue.

The Hosting business recorded EBITDA of \$14.6 million, down 4.2 per cent on the previous corresponding period, due to \$3.6 million of investment made in fiscal 2011 to take advantage of the emergence of Cloud computing.

Macquarie Telecom's Telco (Data, Voice and Mobile) business remains an important part of the company's overall offering, also delivering \$173.7 million in revenue and EBITDA of \$28.6 million, up 40.4 per cent on the previous corresponding period. Strict cost control and automation has contributed to the improved margins in the Telco business.

Capital expenditure on customer equipment, network and facility maintenance and support, for the 12 months ending 30 June 2011, was \$18.0 million. In addition, as announced on 25 October 2010, Macquarie Telecom purchased land and an existing building in North Ryde in NSW for \$10.8 million, which settled in December 2010, to accommodate its new data centre facility. As at 30 June 2011 a further \$1.8 million was spent on design and the commencement of construction.

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: "Over the next year we will invest significantly to expand our Hosting capacity by building our second Sydney data centre, Intellicentre 2. This data centre expansion will enable the company to take full advantage of future growth opportunities and capitalise on the significant demand for our Hosting services.

"The facility, being built over a two hectare site, will be accredited to global security standards to support the data management needs of both corporate and government customers. The data centre will also utilise globally-leading energy, cooling and management technologies to drive down power consumption to world-class levels.

"In addition, we will continue to invest in developing our Cloud Computing offerings as we believe the emergence of Cloud Computing, which is a natural extension of managed hosting, will increase the trend of selective outsourcing of internal information technology and provide new market opportunities for Macquarie Telecom," Mr Tudehope said.

Investing for future growth

In fiscal 2012 Macquarie Telecom will continue to invest in developing its Intellicentre 2 data centre and its Cloud Computing capabilities to position Macquarie Telecom for strong future growth.

EBITDA in fiscal 2012 will be impacted by establishment costs of approximately \$6.0 million associated with Intellicentre 2 and Cloud Computing. EBITDA is expected to grow in fiscal 2012 driven by strong Hosting sales.

Phase one of the Intellicentre 2 development will see a further \$47.4 million invested into building construction, mechanical and electrical needs. Approximately \$40 million of this investment is expected to be made in fiscal 2012.

Additional capital expenditure for fiscal 2012 is expected to be approximately \$22 million to \$24 million, driven by strong Hosting sales.

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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.

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