

ASX Announcement

23 February 2012

Macquarie Telecom delivers record half year profit result, continues to invest in data centre expansion and Cloud Computing.

Key Points

- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$21.1 million, an increase of 4% on the previous corresponding period.
- Net profit after tax (NPAT) of \$11.1 million for the half ended 31 December 2011, up 13.8% on the previous corresponding period.
- A healthy balance sheet maintained with cash and cash equivalents of \$47.7 million.
- \$30 million undrawn working capital facility in place.
- Investment of \$60 million in data centre expansion.
- Declares a fully franked interim dividend of 12.0 cents per share.

Macquarie Telecom (ASX: MAQ), a leading provider of Hosting and Telco services to Australian business and government customers, announces a record NPAT of \$11.1 million for the half year ending 31 December 2011, up 13.8% from the previous corresponding period.

The company has also delivered a record EBITDA result of \$21.1 million. This result compares to the previous year's adjusted EBITDA result of \$18.8 million, which is calculated after removing the impact of a one-off prior year dispute settlement benefit of \$1.5 million.

The record NPAT and EBITDA results were achieved from total service revenue for the period of \$112.2 million, down slightly on the previous corresponding period.

The Chairman of Macquarie Telecom, Robert Kaye, said: "Macquarie Telecom has delivered a record half year result whilst absorbing the impact of establishment costs associated with Intellicentre 2 and Cloud Computing."

Macquarie Telecom's Hosting business continued its strong revenue performance, growing by 13.4 per cent when compared to the previous corresponding period, contributing \$29.6 million, or 26 per cent of total service revenue.

The Hosting business recorded EBITDA of \$7.7 million which is in line with the previous corresponding period. The result includes establishment costs associated with Intellicentre 2 and Cloud Computing. In addition, following admission into the restricted Australian Government Information Management Office (AGIMO) data centre panel, significant investment in Federal government service staff, security products and accredited data centre facilities has been initiated.

Macquarie Telecom's Telco (Data, Voice and Mobile) business remains an important part of the company's overall offering, delivering \$82.5 million in revenue and EBITDA of \$16.5 million, up 4.5 per cent on the previous corresponding period. Strict cost control and automation has contributed to the improved margins in the Telco business.

During the 6 months ended 31 December 2011 \$8.2 million was invested into building construction, mechanical and electrical needs for Intellicentre 2.

Capital expenditure on customer equipment, network and facility maintenance and support, for the 6 months ending 31 December 2011, was \$8.1 million.

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 2012 fiscal year we are investing 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 20,000 sqm site, is the first accredited Tier 3 data centre in South East Asia. 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

EBITDA profit for the full year is trending towards the upper end of previously issued guidance of between \$36 and \$38 million. The expected EBITDA result in fiscal 2012 includes the impact of establishment costs of approximately \$6.0 million associated with Intellicentre 2 and Cloud Computing.

The expected result compares to the previous year's adjusted EBITDA result of \$35.7 million, which is calculated after removing the impact of a one-off prior year dispute settlement benefit of \$1.5 million.

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

"In the remainder of fiscal 2012 we expect to complete the construction of the Intellicentre 2 data centre. Phase one will see a further \$47.4 million invested into building construction, mechanical and electrical needs. Approximately \$31.8 million of this investment is expected to be made in the second half of fiscal 2012." Mr Tudehope said.

Additional capital expenditure for fiscal 2012 is expected to be approximately \$16 million to \$18 million.

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About Macquarie Telecom

Macquarie Telecom is Australia's only integrated Managed Hosting, Cloud and Telecommunications Company focused solely on mid-size businesses, corporate IT and government. Working with and supporting some of Australia's best-known organisations, Macquarie Telecom is a full service hosting provider offering managed dedicated servers, managed co-location, and managed private, hybrid and public clouds. Our fully owned, Australian based data centres are the most secure and accredited data centres in Australia with ISO27001, PCI Compliance, DSD Gateway and ASIO Intruder Resistant accreditation. Macquarie Telecom's offerings are underpinned by world-class customer care which is delivered by our fully owned and managed customer service centre, MacquarieHUB. Combining Business-Grade Full line (Voice, Data & Mobile) Telecommunications with Hosting services to offer truly integrated end-to-end communications solutions, Macquarie Telecom is best placed to help transition organisations to the new online NBN era, enabling greater agility and growth.

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