

ASX Announcement

21 August 2013

Macquarie Telecom announces full year profit results

Completes construction of its Canberra Data Centre, Intellicentre 4, on the back of winning significant Federal Government security contracts.

Macquarie Telecom (ASX: MAQ), Australia's number one integrated Managed Hosting, Cloud and Telecommunications Company, today announced its financial results for the 2013 fiscal year.

Commenting on the result, Macquarie Telecom's Chairman, Robert Kaye, said: "Macquarie Telecom's full year result reflects the impact of a year of significant investment for future growth in which we expanded our data centre footprint, growing our presence in Canberra and further developing our Cloud Computing capabilities."

As previously announced to the market the company is experiencing longer than expected lead times in realising the contracted revenue of some of the larger customers moving into its new data centre facility, Intellicentre 2. In addition, the company is experiencing similar dynamics with its contracted customers under the Australian Government's Lead Agency Secure Internet Gateway program.

Chief Executive David Tudehope said: "It is important to recognize that the delays in realising revenue from these larger Corporate and Federal Government customer deals have a short term impact on earnings, specifically in calendar 2013. Our servicing of the Federal Government's Lead Agency Gateway program and Intellicentre 2 are on track to deliver long term profitable growth."

Key Points

- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$35.1 million for the year ended 30 June 2013, in-line with guidance, and a decrease of 13.5% on the previous corresponding period.
- Net profit after tax (NPAT) of \$11.3 million for the year ended 30 June 2013, down 42.1% on the record NPAT performance in fiscal 2012. NPAT was also impacted by the planned consequence of the significant capital expenditure program completed during the period resulting in:
 - increased depreciation and amortisation charges; and
 - reduced interest revenue.

- \$50 million working capital facility in place to support strategic growth opportunities of which \$9 million was drawn as at 30 June 2013.
- Significant contract wins with the Department of Agriculture, Fisheries and Forestry (DAFF) and Prime Minister and Cabinet (PMC) agency clusters as part of the Australian Government's Lead Agency Secure Internet Gateway program.
- Intellicentre 4 construction in Canberra completed in July 2013. Facility is now operational.
- Intellicentre 2, next megawatt of IT load installed.
- Declares a fully franked final dividend of 12.0 cents per share, with the total dividend for fiscal 2013 being 24.0 cents per share fully franked.

Macquarie Telecom Chief Executive, David Tudehope, said: "During fiscal 2013 we continued to invest significantly to expand our Hosting capacity in both Sydney and Canberra.

"In Sydney, customer demand triggered the commissioning of the next megawatt of IT load at Intellicentre 2, a \$7 million investment, which is now installed.

"In Canberra, as part of our ongoing commitment to the Federal Government, we have invested approximately \$15 million on capacity, networking and software and product development to deliver to the Lead Agency Secure Internet Gateway program.

"These data centre expansions enable the company to take full advantage of current and future growth opportunities and capitalise on the demand for our Hosting services across both our corporate and government customer segments.

"In addition, we continued 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.

Macquarie Telecom's Hosting business revenue grew by 3.3% when compared to the previous corresponding period, contributing \$60.5 million, or 29% of total service revenue. The Hosting business recorded EBITDA of \$11.1 million a decrease of \$4.2 million on the previous corresponding period. The decrease was primarily attributable to, the combination of flat revenue in its Managed Hosting business, caused by price reductions and the incremental costs associated with investments in automation, service assurance and other staff costs.

Macquarie Telecom's Telco (Data, Voice and Mobile) business is an important part of the company's overall offering, delivering \$145.7 million in revenue and EBITDA of \$29.4 million, down 5.9% on the previous corresponding period. The company remains focused on strict cost control and automation to maintain margins in the Telco business.

Capital expenditure for fiscal 2013 was \$51.5 million, of which approximately \$29 million was spent on the expansion of Hosting capacity in Sydney and Canberra and approximately \$22.5 million on business as usual capital expenditure.

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.

Chief Executive David Tudehope said the 2014 fiscal year represents a year of execution as the company focuses on:

- The delivery of Secure Internet Gateway services to contracted DAFF and PMC agency clusters in Intellicentre 4;
- Co-location sales into Intellicentre 2;
- Continued automation of both Hosting and Telco products and services;
- Leveraging the company's unique multi-carrier mobile offering;
- Continued investment in developing our Cloud Computing offerings.

Investing for future growth

EBITDA profit for the first half of fiscal 2014 is expected to be similar to that of the second half of fiscal 2013 due to longer than expected lead times in realising the contracted revenue of some large government and corporate deals signed over the past twelve months.

Full year guidance will be provided with the half year results in February 2014.

Capital expenditure for fiscal 2014 is expected to be approximately \$30 million of which it is expected approximately \$7 million will be spent on the expansion of Hosting capacity in Sydney and Canberra.

Depreciation for fiscal 2014 is expected to be between \$24 million and \$26 million. The increase on last year being primarily attributable to depreciation associated with Intellicentre 2 expansion and Intellicentre 4.

--ends--

For more information, please contact:

MAGNUS Investor Relations + Corporate Communication

Garry Nickson

(02) 8999 1004 or 0414 930 082

Dudley White

(02) 8999 1002 or 0413 439 883

About Macquarie Telecom

Macquarie Telecom is Australia's number one integrated Managed Hosting, Cloud and Telecommunications Company. 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. Macquarie Telecom is best placed to help transition organisations to the new online NBN era.

Head office, Level 20, 2 Market Street, Sydney 2000

www.macquarietelecom.com