

ASX Announcement

26 February 2014

Macquarie Telecom announces half year profit results within guidance

Macquarie Telecom (ASX: MAQ), Australia's leading integrated Managed Hosting, Cloud and Telecommunications Company, today announced its financial results for the first half of the 2014 fiscal year.

Commenting on the result, Macquarie Telecom's Chairman, Robert Kaye, said: "Macquarie Telecom's half year result reflects the impact of the 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."

Chief Executive David Tudehope said: "During the half year we added the Department of Treasury in its capacity as a Lead Agency for the Australian Government's Lead Agency Secure Internet Gateway program to our other significant contract wins with the Department of Agriculture, Fisheries and Forestry (DAFF) and Prime Minister and Cabinet (PMC) agency clusters. Significant progress has been made in the first half of fiscal 2014 to provision and commence realising the revenue streams of these large Federal Government customers. We anticipate completing the delivery of Secure Internet Gateway services to the contracted DAFF, PMC and Treasury agency clusters in Intellicentre 4 by the end of fiscal 2014."

Key Points

- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$13.3 million for the half year ended 31 December 2013, a decrease of \$6.2 million on the previous corresponding period.
- Net profit after tax (NPAT) was \$0.4 million for the half year ended 31 December 2013, a decrease of \$7.0 million from the previous corresponding period. NPAT was impacted by the planned consequence of the recent significant capital expenditure program resulting in:
 - increased operating expenses as data centre facilities go live i.e. staff and maintenance costs;
 - increased depreciation and amortisation charges; and
 - reduced interest revenue.
- \$50 million working capital facility in place to support strategic growth opportunities of which \$24 million was drawn as at 31 December 2013.

- Macquarie Telecom's Hosting business revenue was relatively flat when compared to the previous corresponding period, contributing \$30.2 million, or 30.3% of total service revenue. The Hosting business recorded EBITDA of \$2.8 million a decrease of \$4.0 million on the previous corresponding period.
- Macquarie Telecom was named Data Centre Service Provider of the Year at the prestigious Frost & Sullivan Australian Excellence Awards 2013.
- Ninefold 2.0 launched in September 2013.
- Macquarie Telecom's Telco (Data, Voice and Mobile) business is an important part of the company's overall offering, delivering \$69.5 million in revenue and EBITDA of \$13.4 million, a decrease of \$2.4 million from the previous corresponding period.
- Capital expenditure for the six months ending 31 December 2013 was \$17.0 million, of which approximately \$4.0 million was spent on the expansion of Hosting capacity in Sydney and Canberra and approximately \$13.0 million on business as usual capital expenditure.
- Fully franked interim dividend of 12.0 cents per share declared.

Strategy and Outlook

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

- Completing the delivery of Secure Internet Gateway services to the contracted DAFF, PMC and Treasury agency clusters in Intellicentre 4. As at 27 February 2014, 10 of the 22 contracted agencies were billing. We expect to have all 22 agencies billing by the end of fiscal 2014;
- Maintaining momentum of Co-location sales into Intellicentre 2. As at 31 December 2013 approximately 1,100kW (27% of final IT load capacity) was contracted. This result is ahead of plan and up from 700kW contracted as at 30 June;
- 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.

EBITDA profit is expected to grow from \$13.3 million in the first half to between \$14.7 million and \$16.7 million in the second half resulting in an expected full year EBITDA profit range of between \$28 million and \$30 million as revenues from large government and corporate customers are realised.

Capital expenditure for fiscal 2014 is expected to be \$36 million in line with previous guidance provided at the 2013 Annual General Meeting.

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About Macquarie Telecom

Macquarie Telecom is Australia's leading 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.

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