

ASX

Release

The Manager
Company Announcements Office
Australian Stock Exchange
Exchange Plaza, 2 The Esplanade,
Perth WA 6000

Dear Sir/Madam,

iiNet Delivers Another Record Result

20 February 2014: Australia's leading challenger in the telecommunications market, iiNet Limited (ASX: IIN) is pleased to announce that it has delivered another record result across all key metrics for the six months ended 31 December 2013 (H1 FY14), with underlying net profit after tax up 19% to \$31 million.

Having successfully acquired a number of complementary businesses over the past five years, and with the integration of those businesses either complete or nearing completion, the company is now focused on growing organically and maximising operational performance. Commenting on the success of the company's growth strategy, iiNet's Acting CEO, David Buckingham said:

"We know that our focus on delivering the very best products and service to our customers is the right strategy. Over the past six months we reached our all-time high net promoter score of 60% in two months, added 16,000 net new broadband customers and continued to grow our business customer revenues by 5%. That's a fantastic testament to the great staff we have and their continued passion for delivering exceptional service to our customers.

"We continue to build on iiNet's position as the second largest provider of DSL broadband and the leading challenger brand in the Australian telecommunications market."

Key H1 FY14 financial highlights

- Revenue up 4% to \$493 million
- Business revenue up 5% on last half, now comprising 20% of Group revenue
- Operating costs down 4% (excluding new Adam Internet costs and costs related to M&A activity in the half)
- EBITDA up 6% to \$95 million
- Statutory net profit after tax down 9% to \$29 million (H1 FY13 benefited from \$8 million pre-tax one-off IIC settlement rebate)
- Underlying net profit after tax up 19% to \$31 million
- Underlying earnings per share up 20% to 19.5 cents
- Continued strong operating cash flow of \$72 million
- Comfortable gearing at 62% net bank debt to equity post-acquisition and falling
- Interim FY14 dividend up 13% to 9 cents per share fully franked.

Key H1 FY14 operational highlights

- Group Net Promoter Score (NPS) reaching all-time high of 60% in the period
- 16,000 net new broadband customers off increased sales momentum taking total customers to 926,000
- NBN market share at 25% with over 30,000 active NBN customers
- Organic growth in products per customer to 2.24, and progressing towards target of 3
- Core focus on SOHO and SME market driving growth of Business customer revenues
- Acquisition integration nearing completion with key synergies mostly delivered.

Commenting on the H1 FY14 results, Mr Buckingham said that the half-year had seen the company continue to grow revenue and earnings across all key business areas.

“Our focus has now turned to delivering organic growth, building upon the excellent customer service reputation we have created. We have achieved 16,000 broadband net additions and continued to grow the number of products per customer, a clear sign that this renewed focus is delivering results.

“We have done a great job of lifting iiNet’s brand awareness and sales in the Eastern States through several highly effective marketing campaigns. We plan to continue that throughout 2014.

“The half also saw four months of Adam Internet revenues included, while our business segment continued to grow. Achieving this level of revenue growth is pleasing given that we still face the sector-wide issue of PSTN phone revenue decline.

“We are leading the pack in our proactive approach to NBN and currently have a 25% share of the NBN market as we continue to take full advantage of our capabilities across all access technologies. While still small in the context of iiNet’s total subscriber base, we expect the NBN subscriber base to continue to grow as the roll-out continues.

“iiNet’s business revenue now represents 20% of group revenue. While a core focus continues to be the SOHO and SME segments, we are increasing our presence in the government and corporate segment as we continue to leverage our product, network and data centre assets. The half has seen good growth in access and telephony products in the small business segment and we have seen growth in wholesale and contract wins in the ACT.

“We are creating value and efficiencies from our acquisitions. We have integrated the networks of TransACT and Internode, and the Adam Internet network integration is on track for completion this quarter. We completed the upgrade of our VDSL network in the ACT to VDSL2 and are now looking to offer improved speeds to our Canberra customers. Billing and product integration this quarter will deliver cross sell potential and we will continue to look for other cost-base efficiencies across our businesses.

“iiNet continues to generate strong cash-flows which has enabled us to continue investing growth capital in our network and systems during the period. The strong cash-flows have also underpinned increasing dividends to shareholders in conjunction with reducing our gearing levels,” added Mr Buckingham.

Reflecting iiNet’s strong earnings growth, cash-flow generation, strong balance sheet and confidence in the company’s growth outlook, a fully franked interim dividend of 9.0 cps has been declared, up 13% on the interim fully franked 2013 dividend.

Commenting on the outlook for iiNet, Mr Buckingham said: “Having completed a period of substantial acquisition activity, we are confident about our next phase of growth focused on delivering operational excellence. Our team is highly energised to maintain the momentum of the past few years, and deliver on our growth opportunities through a relentless passion for delivering the best products and services for our customers,” said Mr Buckingham.

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For further information please contact:

David Buckingham
Acting Chief Executive Officer
E: davidb@staff.iinet.net.au
P: +61 8 9213 1358

About iiNet

iiNet is Australia’s second largest DSL Internet Service Provider and the leading challenger in the telecommunications market. Publicly listed and a member of the ASX 200, iiNet is valued at approximately \$1 billion. We employ more than 2000 inquisitive staff across three countries – 80 per cent of whom are employed to directly service our 900,000 customers. We maintain our own super-fast broadband network and support over 1.7 million broadband, telephony and Internet Protocol TV (IPTV) services nationwide.

We’re committed to making it simple for all Australians to connect across both our own network and on the NBN. Our vision is to lead the market with products that harness the potential of the Internet and then differentiate with award-winning customer service.

A lot has changed since our CEO founded iiNet in a suburban garage back in 1993 and the broadband landscape continues to evolve. What hasn’t changed is our passion for the transformative benefits of the Internet and our commitment to helping Australians connect better.

Recent awards



A full list of current awards can be viewed at iiNet Awards

<http://www.iinet.net.au/about/awards.html>