

ASX

Release

The Manager
Company Announcements Office
Australian Stock Exchange
Level 40, Central Park
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Perth WA 6000

Dear Sir/Madam,

iiNet delivers another year of strong growth exceeding \$1bn revenue milestone

21 August 2014: iiNet Limited (ASX: IIN) is pleased to announce that it has delivered another record result across all key metrics for the twelve months ended 30 June 2014 (FY14), with underlying net profit after tax up 19% to \$65.8 million. A key driver for this result was a return to organic growth, with net new broadband customer additions of more than 40,000 in the year.

Commenting on the result, iiNet Chief Executive Officer, David Buckingham, said the strong results were a result of the company delivering on its strategy of growing market share and improving margins.

“Having successfully acquired and integrated a number of complementary businesses over the past few years, the company is now focused on growing organically and maximising its operational performance.

“We know that our focus on delivering the very best products and service to our customers is the right strategy for organic growth. Over the past year we reached our all-time high net promoter score of 60%, added 40,000 net new broadband customers and continued to grow our business customer revenues to \$204 million, now 20% of total group revenues,” added Mr Buckingham.

Key FY14 financial highlights

- Revenue up 7% to \$1.006 billion
- Earnings growing faster than revenues with underlying EBITDA up 9% to \$196 million
- Underlying NPAT up 19% to \$65.8 million
- Reported NPAT (including acquisition deal costs) up to \$63.0 million
- Underlying earnings per share up 19% to 40.8 cents
- Continued strong operating cash flow up 6% to \$146.0 million
- Strong balance sheet with gearing (net debt/equity) down to 50%
- FY14 total dividend up 16% to 22 cents per share fully franked

Key FY14 operational highlights

- 950,000 customers and over 1.83 million total services nationwide
- Strong organic growth with more than 40k broadband net adds
- Market leading Net Promoter Score (NPS) and low churn
- Business revenue up 11% to \$204 million
- Over 40,000 active NBN customers with continued high market share of 26% and 19% in greenfield and brownfield areas respectively
- Organic growth in products per customer to 2.3

Operational performance consolidates growth foundations

Commenting on the FY14 results, Mr Buckingham said that iiNet had leveraged its core growth foundations to produce the returns seen over the period.

“The most pleasing aspect of these results is our return to organic growth. This growth reflects three simple things done very well – customer service, product innovation, and effective brand marketing – which have worked together to lift iiNet brand awareness across all key states and delivered exceptional sales growth.

“Our proactive approach to the NBN roll out continues to pay dividends. We now have over 20% share of the NBN market with over 40,000 iiNet customers on the NBN and more than 50% of our NBN customers are new to iiNet. We continue to take full advantage of our capabilities across all access technologies and expect iiNet’s NBN subscriber base to continue to grow as the roll-out speeds up.

“iiNet’s business revenue has grown to \$204 million of revenue, now comprising 20% of total group revenue. We will continue to expand our offering in this customer segment while delivering a great service experience. Our new hosted Microsoft Outlook services make it much simpler and more cost effective for small businesses to manage their IT requirements, and we will continue to expand our suite of these services in FY15.

“iiNet continued to deliver strong operating cash flow this year allowing for further investment in growth capital while paying down debt and increasing dividends. The company’s net bank debt was up only \$5.3 million even after the acquisition of Adam Internet, clear evidence of the very strong cash flows being generated by the company.

“Reflecting iiNet’s strong earnings growth over FY14, cash flow generation, strong balance sheet and confidence in the company’s growth outlook, a fully franked final dividend of 13 cents per share has been declared, making the total dividend for the year of 22 cents per share, up 16% on the previous year,” added Mr Buckingham.

There’s more growth to come... leveraging iiNet’s core and extending the company’s brand

“We are excited about the growth prospects of the business as we execute our growth strategy to leverage our core and extend our brand. iiNet was founded 20 years ago by Michael Malone with a culture of doing things differently. We will seek to leverage the high advocacy of our customers and continue to explore new opportunities to connect them better to their increasingly complex digital worlds.

"Having grown the business from his parents' garage into the second largest provider of DSL broadband in Australia, we applaud Michael for the tireless leadership he provided and wish him well with his future endeavors since retiring from the business in March.

"Finally, I want to comment on our dedication and passion for delivering exceptional service to our customers. Over the year we have again produced market leading NPS and churn, a testament to the great staff we have and their continued passion for delivering exceptional services to our customers," said Mr Buckingham.

– ENDS –

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About iiNet

iiNet is Australia's second largest DSL Internet Service Provider and the leading challenger in the telecommunications market. Publicly listed on the ASX 200, this billion-dollar company has been recognised as a global leader in customer service, winning the Large Business award at the 2013 International Service Excellence Awards. We employ more than 2500 inquisitive staff across three countries – 80 per cent of whom are employed to directly service over 950,000 customers. We maintain our own broadband network and support over 1.8 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 services that harness the potential of the Internet and then differentiate with award-winning customer service.



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

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