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Macquarie Telecom confirms full year guidance as it invests in Data Centre Expansion, Federal Government and Cloud Computing.

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

Commenting on the result, Macquarie Telecom's Chairman, Robert Kaye, said: "Macquarie Telecom's half-year result is on track, reflecting a year of investment for future growth in which we are continuing the expansion of our data centre footprint, growing our presence in Canberra and further developing our Cloud Computing capabilities."

Macquarie Telecom has confirmed guidance for full-year Earnings Before Interest, Tax, Depreciation and Amortisation (FY2013 EBITDA) of between $38 million and $42 million. This compares to a FY2012 EBITDA result of $40.6 million.

Macquarie Telecom has a healthy balance sheet with cash and cash equivalents of $17.1 million and no debt, and is well positioned to take advantage of future growth opportunities.

Key Points:

- 1H2013 EBITDA of $19.6 million, a decrease of 7.1% on the record half-year EBITDA reported during the previous corresponding period.

- Net profit after tax (NPAT) of $7.4 million for 1H2013, down 33.3% on the record NPAT performance in 1H2012. The change in NPAT is a planned consequence of the significant capital expenditure program completed during the period resulting in:

  - increased depreciation and amortisation charges;
  - reduced interest revenue; and
  - a normalised tax rate in comparison to the previous corresponding period.

- The official opening of Australia's first certified Tier 3 data centre - Intellicentre 2 by the Prime Minister in September 2012.

- The announcement in October 2012 of the significant contract win with the Department of Agriculture, Fisheries and Forestry in its capacity as Lead Agency for eight additional Federal Government Agencies as part of the Australian Government's Lead Agency Secure Internet Gateway program.

- Investments being made in future growth opportunities include the completion of construction of Intellicentre 2, the expansion of Intellicentre 2 capacity ahead of schedule due to customer demand, and the expansion of capacity in Canberra to meet Federal Government customer demand.

- Undrawn working capital facility increased from $30 million to $50 million to support future growth opportunities.

- Fully franked interim dividend of 12.0 cents per share declared.

Macquarie Telecom's Hosting business recorded EBITDA of $6.9 million, 9.3% lower than during the previous corresponding period. This result was impacted by the cost of additional staff to satisfy Federal Government customer demand and pricing pressure on Managed Hosting as a result of the emergence of Cloud Computing.

Macquarie Telecom's Telco business (Data, Voice and Mobile) generated $74.6 million in revenue and EBITDA of $15.7 million, down 9.6 per cent and 4.6 per cent respectively on the previous corresponding period.

During 1H2013, Intellicentre 2 sales have progressed ahead of plan and the commissioning of the second mega watt of IT load at the facility commenced. The Company invested in increasing capacity in Canberra, as well as in networking, software and product development to deliver to the Lead Agency Secure Internet Gateway program. In total, during 1H2013, Macquarie Telecom invested $12.2 million into the expansion of Hosting capacity in Sydney and Canberra with a further $11.7 million spent on business as usual capital expenditure.

Strategy and Outlook

Macquarie Telecom remains focused on being Australia's number one integrated Managed Hosting, Cloud and Telecommunications provider to business and government customers through the delivery of service excellence.

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

"In Sydney, customer demand has triggered the commissioning of the second mega watt of ICT load at Intellicentre 2, a $7 million investment, which is due to be completed in June 2013.

"In Canberra, as part of our ongoing commitment to the Federal Government, we will be investing approximately $14 million in FY2013 on capacity, networking and software and product development to deliver to the Lead Agency Secure Internet Gateway program.

"This data centre expansion will 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 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 guidance for the full year is confirmed at between $38 million and $42 million.

Depreciation for the full year is expected to be between $20 million and $22 million, slightly lower than previous guidance given at the Annual General Meeting of between $22 million and $23 million. The increase on last year is primarily attributable to depreciation associated with Intellicentre 2.

Capital expenditure for fiscal 2013 is expected to be approximately $48 million, of which approximately $28 million will be spent on the expansion of Hosting capacity in Sydney and Canberra and approximately $20 million on business as usual capital expenditure.

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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.

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