



# Acquisition of Internode

22 December 2011

# Internode: a very attractive strategic acquisition

**iiNet**  
connect better

## Consolidates iiNet's leading challenger position

- iiNet becomes the “clear no 2” in the residential broadband DSL market
- Internode adds approximately 190,000 broadband DSL subscribers and 260,000 active services
- Internode has a very strong brand based with dominant market share in South Australia (SA)
- Like iiNet, Internode is a clear leader in ISP customer satisfaction
- Experienced management team with strong local relationships
- Opportunity to further grow SA market share with additional marketing and bundling

## Cultural and strategic alignment with iiNet

- Similar customer profile
- Strong focus on customer service
- Experienced management team with strong local relationships
- Will trade as separate business unit, retaining the Internode brand under the management of Simon Hackett and his team

## Strong financials and significant synergies

- Strong financials – pro-forma FY12 revenue of \$180m and FY12 EBITDA of \$25m pre-synergies
- EBITDA contribution of annual synergies expected to be \$7m in FY13
- Significant synergies available from approximately 15,000 off-net to on-net migrations, integration of bandwidth, backhaul, inter-capital transmission and other supplier contracts and systems
- Compatible network infrastructure – extends iiNet's existing DSLAM exchange footprint by over 36 exchanges

## Strengthened position for NBN

- Cements national footprint with substantial position in SA and strengthened position in Eastern states
- Expands iiNet's network reach and scale, consistent with strategy of building scale in anticipation of the NBN

# Acquisition overview

## Internode earnings

- FY12 forecast revenue of \$180m and EBITDA of \$25m pre synergies
- Annual synergies estimated at \$7m of EBITDA in FY13

## Acquisition price

- \$105m consideration – mix of cash and iiNet shares
- Represents 4.2x expected FY12 EBITDA pre-synergies and 3.3x pro-forma EBITDA post-synergies

## Consideration

- Approximately 12m iiNet shares to be issued to Simon Hackett, representing an interest of 7.5% post-issuance
- Balance to be paid in cash, net of Internode's existing debt, from cash on hand and an extension of iiNet's existing debt facilities

## Conditions

- Completion expected by 29 February 2012, subject to satisfaction of procedural conditions
- Simon Hackett, founder and MD, will remain as lead executive at Internode and has agreed to standstill<sup>1</sup> and tender provisions<sup>2</sup> for 12 months
- Strong and experienced management team to remain

## Financial impact

- Expected to be EPS accretive in FY13 pre synergies
- Synergies available from on-net migration, bandwidth, backhaul, inter-capital transmission and the integration of systems and suppliers
- Comfortable post acquisition debt profile with pro forma net debt of \$250m
- Existing bank debt facilities extended to \$300m

1. Under the standstill provision Simon Hackett is prevented from acquiring or soliciting a shareholding in iiNet greater than 7.5% of its issued capital.

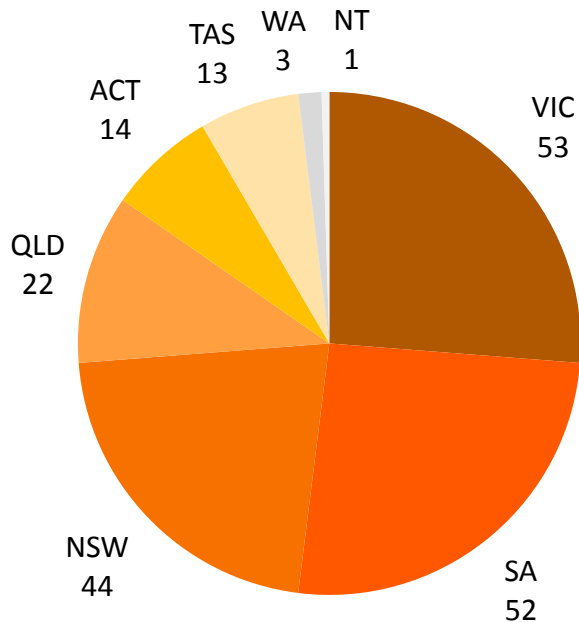
2. Under the tender provision, Simon Hackett has agreed to tender his shareholding in iiNet into any takeover offer, scheme of arrangement or other merger recommended by a simple majority of the iiNet board.

# Further network expansion

Internode's network will extend iiNet's existing footprint by over 36 DSLAM exchanges

Lower capital requirements going forward as Internode's FY11 network rollout is complete

Internode's existing DSLAMs by state



A\$m	FY11 (historical)	FY12 (forecast)
Expansion capex	6.8	0.5
Maintenance capex	5.2	5.4
<b>Total</b>	<b>11.9</b>	<b>5.9</b>

202 active exchanges, with 4 built in NT and awaiting backhaul installation and a further 2 planned

# Internode is strategically aligned to iiNet

## Service

- Leader in ISP customer satisfaction
- Comparable product and customer base with low churn
- History of customer and product growth including corporate & government

## Brand

- Very strong local brand based in South Australia
- High customer loyalty and brand equity with deep local relationships
- Strong history of product innovation

## Innovation

- Increased scale and reach for delivery of innovative products and services e.g. fetchtv
- Unique opportunity to increase scale in South Australia and other Eastern states

## Consolidation

- Consolidates iiNet's market position as the "clear no 2" provider of DSL broadband
- Synergies available from on-net migration, bandwidth, backhaul inter-capital transmission and the integration of systems and suppliers

## Growing shareholder value

- Expected to be EPS accretive in FY13 pre synergies
- Significant synergies available in FY13 and beyond
- Debt levels remain comfortable with pro forma post acquisition debt today of \$250m





# Q&A

Some of the information contained in this presentation contains “forward-looking statements” which may not directly or exclusively relate to historical facts. These forward-looking statements reflect iiNet Limited’s current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of iiNet Limited.

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