



iiNet Limited
ACN 068 628 937

head office
level 1, 502 hay street
subiaco wa 6008
phone: 1300 722 545

support: 13 22 58
sales: 13 19 17
fax: 1300 785 632

email: iinet@iinet.net.au
web: www.iinet.net.au



22 December 2011

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

ASX Release

iiNet to acquire Internode, Australia's largest privately owned broadband services company

22 December 2011 – iiNet Limited (ASX: IIN) has entered into binding documentation to acquire Internode Pty Ltd (Internode) and associated companies, Australia's largest privately owned broadband services company, for \$105 million. Based in South Australia, Internode has approximately 260,000 active Internet and phone services, including approximately 190,000 broadband subscribers.

Acquisition Highlights

- Acquisition of 190,000 broadband subscribers and 260,000 active services
- Expected pro forma FY12 revenue of approximately \$180 million and pro forma FY12 EBITDA of approximately \$25 million, prior to synergies
- Synergies available from on-net migration, bandwidth, backhaul, inter-capital transmission and the integration of systems and suppliers
- Synergies expected to contribute incremental EBITDA of \$7 million realised within FY13
- \$105 million acquisition price represents a 4.2x expected pre-synergies FY12 EBITDA multiple and a 3.3x post-synergies pro forma EBITDA multiple
- Expected to be EPS accretive in FY13 pre synergies
- 15,000 off-net subscribers expected to be migrated to iiNet's network
- Very strong brand based in South Australia, with customers in all states and territories
- Experienced management team with deep local relationships
- Compatible network infrastructure, extending iiNet's DSLAM footprint by over 36 exchanges and requiring only ongoing maintenance capital expenditure
- To be funded through the issue of approximately 12 million iiNet shares to Simon Hackett with the balance to be paid in cash net of Internode's existing debt, from cash on hand



WINNER
Partnerships for Growth
(iiNet & fetchtv) and
Communications
Ambassador,
*ACOMMS Communications
Alliance & CommsDay
Awards 2011*



National Large Business - iiNet
WA Large Business - iiNet
WA Service Excellence in a
Contact Centre – Westnet
*Customer Service Institute of
Australia (CSIA)*



WINNER
Carrier of the Year Award,
Highly commended - iiNet's
'work from home' program,
*Australian Telecommunications
Users Group (ATUG)*

A full list of current awards
can be seen at [iiNet Awards](#)

and an extension of iiNet's current debt facilities. Simon Hackett has agreed to standstill and tender provisions (see below) for a period of one year

- Comfortable debt profile post acquisition with pro forma net debt balance today of \$250 million
- Settlement expected to be complete by 29 February 2012

iiNet's Chief Executive Officer, Michael Malone, said the acquisition strengthens the Company's position as the leading challenger brand and "the new number 2 provider" of DSL broadband.

"Internode is an attractive acquisition, consistent with our strategy of building scale in anticipation of the national broadband network (NBN) market. Internode's experienced management team and excellent customer satisfaction record will allow iiNet to efficiently grow its presence in the South Australian and Eastern State markets."

"Internode is a successful company with an impressive reputation," said Mr Malone. "The two companies are clearly a good fit with their strong cultural alignment, industry-leading customer service and shared commitment to innovation."

Internode will trade as a separate business unit, retaining its brand under the management of founder Simon Hackett and his experienced team.

Simon Hackett, Managing Director and the largest shareholder of Internode, said he and his management team are delighted to be merging with iiNet and are excited about participating in the opportunities ahead.

"This is a unique opportunity to increase our presence nationally." Mr Hackett said.

"Internode's track record of consistently topping national ISP customer satisfaction surveys matches iiNet's own customer focused corporate strategy. The best teams in the business have joined forces at last."

"We have highly compatible business approaches, unrivalled excellence in innovation around networks, technology and content, and we gain the obvious benefits of substantially increased scale. The transaction will cement a strong and sustainable future for Internode, our staff, and our customers nationally".

Simon Hackett will receive a placement of approximately 12 million shares in iiNet, or 7.5% of the fully diluted capital of iiNet. The balance, net of Internode's existing debt, will be paid in cash upon completion, which is expected by 29 February 2012.

Simon Hackett has agreed to standstill and tender provisions with iiNet for a period of 12 months from the date of completion. Under the standstill provision, Simon Hackett (and affiliates) is prevented from acquiring or soliciting a shareholding in iiNet greater than 7.5% of its issued capital. Under the tender provision, Simon Hackett has agreed to tender his (and affiliates) shareholding in iiNet into any takeover offer, scheme of arrangement or other merger recommended by a simple majority of the iiNet board.

The acquisition of Internode is subject to a number of procedural conditions and will be funded by the extension of iiNet's existing bank financing facilities to \$300 million.

The acquisition of Internode is expected to be earnings per share accretive pre-synergies in FY13. Synergies generated through on-net migration, and integration of bandwidth, backhaul, and inter-capital transmission capacity will provide further value accretion for iiNet shareholders.

Mr Malone said the merger with Internode strengthens the Company's position in the NBN environment and will allow iiNet to leverage the market opportunities presented from a base of greater scale. This transaction consolidates iiNet's national presence by bringing together the two leading customer service focused brands in the industry." said Mr Malone.

iiNet is advised by Azure Capital Limited with legal advice being provided by Middletons.

– ENDS –

For further information please contact:

Michael Malone
Chief Executive Officer
E: mmalone@iinet.net.au
P: +61 8 9214 2207

David Buckingham
Chief Financial Officer & Company Secretary
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. We employ nearly 2,000 inquisitive staff across four countries and support over 1.3 million broadband, telephony and Internet Protocol TV (IPTV) services nationwide.

We're a publicly listed company and we maintain our own super-fast broadband network. Our vision is to lead the market with products that harness the potential of the Internet and differentiate with award-winning customer service.