

iiNet announces the acquisition of Netspace

29 March 2010 - iiNet Limited (ASX: IIN) is pleased to announce that it has entered into a binding agreement to acquire Netspace.

iiNet Chief Executive Officer, Michael Malone, said the acquisition would consolidate the company's position as the leading challenger brand in the Australian telecommunications market.

Acquisition highlights

- Acquisition of Netspace is consistent with iiNet's strategy to grow through consolidation
- Lifts iiNet's market share to 12.4%, and towards its 15% target, with an increase of over 70,000 broadband customers to more than 520,000 broadband customers, and an increase of over 120,000 active services to around 920,000 total active services
- Netspace has a strong business with high historic subscriber growth rates and low churn
- Strengthens iiNet's market position in the key markets of Victoria, New South Wales, and Tasmania
- iiNet and Netspace have complementary geographical footprints with significant potential to migrate Netspace customers on-net
- Significant potential to generate substantial synergies given the complementary nature of both businesses
- EPS accretive (pre-synergies) from the first full year for iiNet shareholders.

Compelling strategic rationale that delivers on iiNet's growth and consolidation strategy

"This acquisition will bring iiNet closer to our target of fifteen percent market share in the fixed line broadband market prior to the commencement of the National Broadband Network," Mr Malone said.

"Netspace is a natural fit for iiNet given the strong alignment of the companies' products, networks and cultures. It is a great business, having grown strongly in the residential market, and has a loyal customer base given its customer service focus.



WINNER

Commitment to Customer Service – Consumer
ACOMMS Communications Alliance & CommsDay Awards 2009



WINNER

- Australian Service Excellence Award
- WA Call Centre Manager of the Year
- National Customer Service CEO of the Year

Customer Service Institute of Australia (CSIA)



WINNER

- Best Broadband Service (Fixed or Wireless)
- Chief Executive of the Year

Australian Telecom Awards 2009

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“In addition, the geographic footprint of Netspace is very complementary to iiNet, extending our presence in the key markets of Victoria, New South Wales, and Tasmania.

Mr Malone said it had been two years since iiNet’s acquisition of Westnet, which was a great success and demonstrated iiNet’s ability to undertake successful acquisitions.

“Our strong balance sheet has placed us in a unique position to remain at the forefront of industry consolidation. We are committed to delivering on our growth strategy, and Netspace is a logical and sensible acquisition for us.”

iiNet expects to realise significant potential synergies through the migration of Netspace customers to iiNet’s network and through lower bandwidth costs. Potential synergies are expected to be \$2 million in the first year, and \$5 million in the second year of iiNet’s ownership.

Acquisition overview

Under the sale and purchase agreement, iiNet will pay \$40 million for Netspace. The acquisition consideration will be 100% debt funded. Completion is subject to a number of procedural conditions and is expected to be achieved by 30 April 2010.

Earnings accretion

The transaction is expected to be immediately earnings per share accretive (pre-synergies) in the first full financial year, FY11, for iiNet shareholders, with significant opportunity to generate substantial synergies going forward. iiNet expects Netspace to generate over \$70 million of revenue and \$8 million of EBITDA in FY11 before synergies.

- ENDS -

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About iiNet

iiNet was established in 1993 and listed on the ASX in 1999, growing from a small Perth business into the third largest Internet Service Provider in Australia. The company supports around 800,000 broadband, telephony and dialup services nationwide, with annualised revenues of over \$450m, and proudly employs over 1200 people in Perth, Sydney, Auckland and Cape Town.



iiNet's goal is to lead the market with the best internet access products and then differentiate with genuine, plain speaking customer service. The company has its own high speed ADSL2+ network reaching around 4 million households across Australia, the largest Voice over IP network in the country, and is delighted to have led yet again with Naked DSL, recognised by PC User Magazine as the 2007 Product of the Year along with taking out the Australian Telecommunications User Group's coveted 'Carrier of the Year Award' in 2010 for the second time.

About Netspace

Netspace was established in 1992 and provides more than 105,000 services, including broadband, ADSL, ADSL2+, Naked DSL, Midband Ethernet, Wireless and VPN internet access as well as fixed line telephony services. It has more than 180 staff located in Victoria, Tasmania and Western Australia.

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