

IiNet turns corner with big profit turnaround

NEALE PRIOR

Internet group iiNet has shaken off the horrors it suffered in the first half of last year, posting a \$7.1 million net profit thanks to a big one-off gain from the sale of its New Zealand business iHug and stabilisation of its Australian operations.

The profit from the December 2006 half is more than \$5.8 million better than the bottom line result posted for the equivalent period in 2005, and a \$67 million turnaround from the 2005-06 full year result that was blotted by a series of write-downs and market unease about its troubled acquisition of OzEmail.

And the group has told investors the first half performance — which included earnings before interest, tax, depreciation and amortisation (EBITDA) of \$14.8 million — could see it beat earlier EBITDA guidance of \$25 million.

Iinet chief executive Michael Malone said the company was in a very strong position to deliver sustained earnings growth and to pursue opportunities in the communications sector.

Mr Malone is in Sydney briefing analysts and institutional investors on the group, which is potentially a player in corporate manoeuvres involving Telecom New Zealand.

The dominant NZ telco is trying to build a major presence in Australia by taking over 17.4 per cent iiNet shareholder PowerTel.

Telecom New Zealand has also had talks with 19.9 per cent iiNet shareholder Amcom in dealings that could ultimately create a third major force in Australian telecommunications behind Telstra and Optus.

Analysts see iiNet as a potentially attractive target for an expansion-driven telco because it has Australia's second biggest network of high speed

broadband services, known as ADSL2+, and is purely Australian-focused after selling its New Zealand operation iHug to Vodafone last year for a \$5 million profit.

Mr Malone said the corporate moves could take months to play out and the best thing he could do was focus on building the business and increase profits.

He said iiNet improved profits and operating costs in the latest half and received positive regulatory decisions from the Australian Competition & Consumer Commission on the wholesale price for access to Telstra's network.

Telstra has launched a High Court challenge to rulings that delivered significantly lower wholesale prices to iiNet but which the telco giant claims are commercially unsustainable.

