

Review under way, but iiNet faces another fortnight in the cold

Tony Boyd

Internet service provider iiNet will remain suspended for at least another two weeks while its chairman, Peter Harley, leads a strategic review of the troubled business and oversees a profit downgrade for 2006.

Mr Harley, who has been appointed executive chairman, has been visiting iiNet's institutional shareholders in Sydney and Melbourne to explain why the company has been suspended from trading since April 18.

"I think Peter realised that after three weeks in suspension he had to get out there and do something," said Brian Eley, from fund manager Eley Griffiths Group, which owns 6 per cent of the company.

Mr Eley said it was now clear that iiNet had overstretched itself when it bought internet company OzEmail for \$110 million last year.

When the acquisition occurred there were expectations that iiNet would have earnings before interest, tax, depreciation and amortisation of \$50 million in the year to June 2006 because OzEmail earned \$10 million EBITDA in the six months to December 2004 and iiNet earned EBITDA of \$15 million in the same period, he said.

Analysts now expect the company to have EBITDA of \$25 million in the year to June 30 after reporting EBITDA of \$16 million in the six months to December.

"The question is where has all the profit gone?" Mr Eley said.

Chief executive Michael Malone

said last night that finding the answer to that question was taking some time but he wanted to be sure that the final result was accurate.

"The numbers we were working towards were not correct," he said.

"Now we are pretty much at the point where we can go out, but we want to include April in our final forecast."

He said Mr Harley's appointment as executive chairman did not affect his future with the company because he always answered to the board.

To assist with its strategic review, iiNet appointed Perth-based GEM Consulting.

Analysts said that iiNet shares, which last traded at \$1.69, would probably fall to below \$1 when the stock relisted.
