2010 Full Year Results

Brisbane, Australia

22 February 2011

MELBOURNE IT

2010 Overview

Year ended 31 December (A$)	FY 10	FY 09	⇕%
Revenue	$189.9m	$200.1m	↓ -5%
EBIT (Pre-Transformation)	$22.9m	$23.9m	↓ -4%
EBIT (Post-Transformation)	$21.2m	$23.4m	↓ -9%
NPAT	$16.1m	$16.8m	↓ -4%
Basic EPS	20.21¢	21.42¢	↓ -6%
Operating Cash	$18.7m	$22.2m*	↓ -16%
Final Dividend (Fully franked)	8.0¢	8.0¢	↔ Unchanged
Deferred Gross Margin	$31.6m	$31.1m	↑ 1%

**Restated*

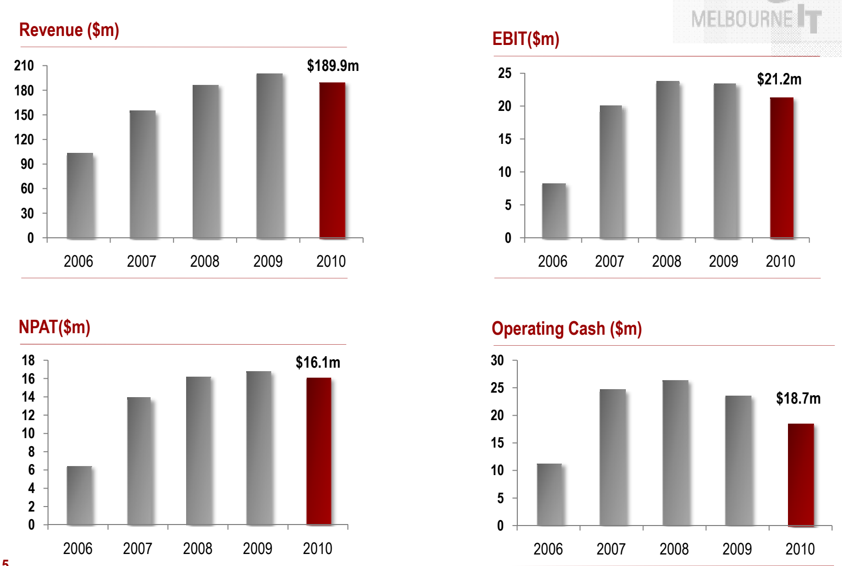
2010 Overview

- EBIT in line with October 2010 updated guidance
- Strong Australian Dollar relative to US and European currencies continues to impact results
  - On constant currency basis using 2009 FX rates, revenue up 3%
  - Negative FX impact to revenue estimated $16m
  - Negative FX impact to EBIT estimated $2.5m
  - Underlying EBIT growth was approximately 7% adjusted for transformation costs and FX
- 2010 NPAT of $16.1m down 4% Y-o-Y
  - NPAT reflects a 20% effective tax rate
- Final dividend maintained at 8c, unchanged from 2009
- Deferred revenue up 2% to $55.7m on constant currency basis using 2009 FX rates
  - Deferred gross margin up 1% to $31.6m
- Net debt remains modest at $22.9m
  - $5.3m debt retired in 2010
  - Effective interest rate 2.91%

2010 Overview

- Transformation strategy on track and on budget
  - NZ pilot to be delivered Q1 as planned
- Services revenue continues to grow – IT services represented 61% of revenue in FY10 compared to 58% in FY09
- Infrastructure investments and operational improvements significantly boosted service delivery in hosting business
  - Hosting platform stability of 99.994% in FY10
  - EMC storage upgrade completed; data centre consolidation project completed ahead of schedule
- Advantate acquisition fully absorbed into SMB division
  - Online marketing (SEO & PPC) grew 37% Y-o-Y to $1.9m from $1.4m

Financial Performance



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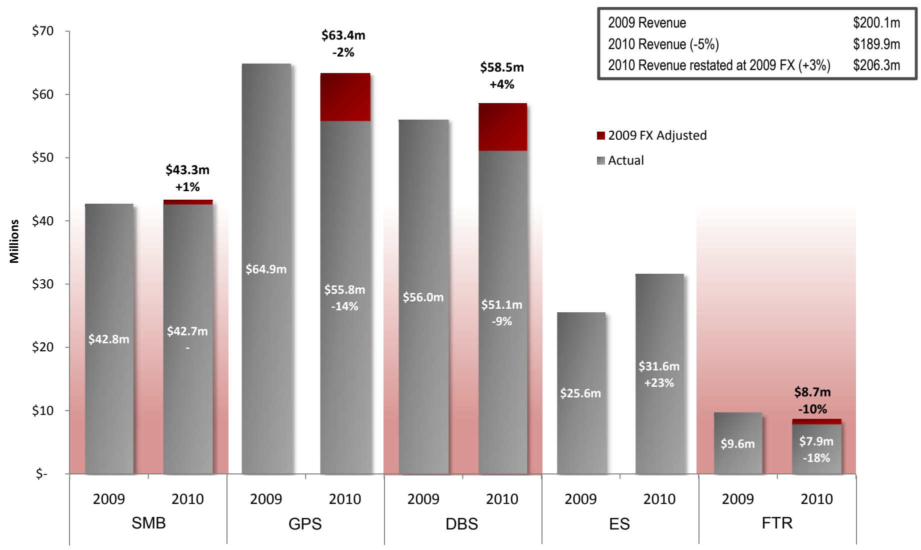
Constant Currency Performance – 2010 Revenues



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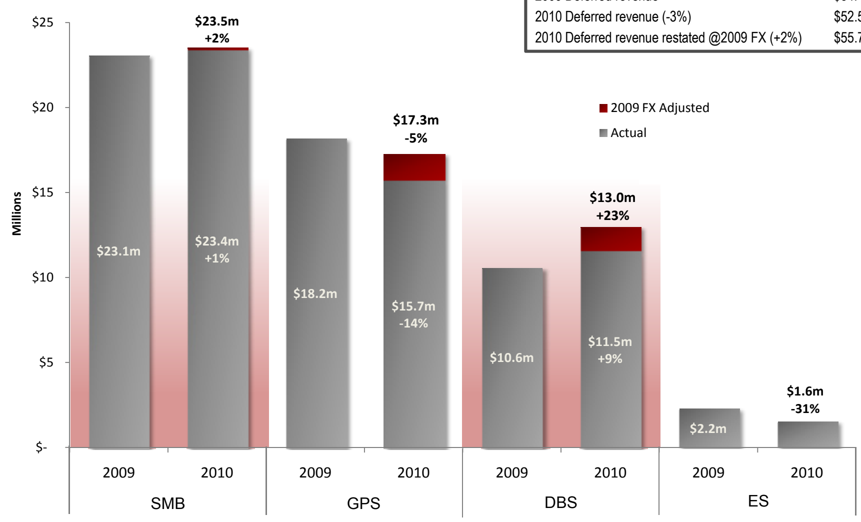
Constant Currency Performance – 2010 Deferred Revenues

2009 Deferred revenue	$54.4m
2010 Deferred revenue (-3%)	$52.5m
2010 Deferred revenue restated @2009 FX (+2%)	$55.7m



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Revenues by Billing Currency

	AUD	USD	Other	Total
2010 Revenues@ 2010 FX Rates	$97.7m 51.4%	$64.8m 34.1%	$27.4m 14.5%	$189.9m
2010 Revenues@ 2009 FX Rates	$97.7m 47.4%	$76.9m 37.3%	$31.7m 15.3%	$206.3m
FX Impact	N/A	-$12.1m	-$4.3m	-$16.4m

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Divisional Performance

Year ended 31 December (A$)	FY 10	FY 09	⇳%
Revenue	**$189.9m**	**$200.1m**	**-5%**
Digital Brand Services	$51.1m	$56.0m	-9%
Enterprise Services	$31.6m	$25.6m	23%
SMB / GPS	$98.6m	$107.7m	-8%
For The Record	$7.9m	$9.6m	-18%
Interest and Other Income	$0.7m	$1.1m	-36%
EBIT	**$21.2m**	**$23.4m**	**-9%**
Digital Brand Services	$6.4m	$6.4m	Unchanged
Enterprise Services	$3.5m	$2.2m	59%
SMB / GPS	$17.7m	$18.7m	-5%
For The Record	$0m	$1.0m	-100%
Corporate Overhead	-$4.6m	-$4.4m*	5%
Transformation Costs	-$1.7m**	-$0.5m	240%

NB Figures may not total exactly due to rounding
**Includes Advantate contribution*
***EBIT impact only, excludes capitalised costs*

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Digital Brand Services (DBS)

Number 1 global digital brand manager

	FY 10	FY 09	Change
Revenues	$51.1m	$56.0m	-9%
Contribution Margin	$6.4m	$6.4m	Unchanged

- Sales in US and Europe slower than expected as markets recovered from GFC
- Impact of strong AUD continues to mask underlying revenue growth
  - FY10 revenue grew 4% Y-o-Y on constant currency basis using 2009 exchange rate
  - FY10 deferred revenue grew 23% Y-o-Y on constant currency basis using 2009 exchange rate
- Brand & Reputation Protection Services revenues up 36% Y-o-Y to $10.2m
  - Major contract signed with Royal Bank of Scotland Group for brand, fraud and malware protection services in H2
- Brands under management rose 5% to 583k from 557k Y-o-Y
- New customers added in 2010 include Arnott's, Kimberley-Clark, Merz Pharma, Betfair Australia, Transurban Group
- Recruitment of new Global Sales Director in December

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Digital Brand Services – 2011 Outlook

- Strong AUD to continue to impact on revenues; market conditions in Europe and US improving gradually
- Growing sales force 25% and investing in upskilling sales force to drive brand protection growth
  - Expanding team of solution specialists to support sales force in identifying and closing deals
  - Improving customer management processes and administration tools to improve customer experience and lower costs
- Focus is on growing higher margin brand protection services in 2011
  - Early successes in Europe point to growth of full managed service for protecting brands online – monitoring, review and enforcement
  - Working with partners to develop and deliver wider security and brand protection portfolio
- Long-awaited .brand domains launch in 2011 provides significant market opportunity for DBS

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Enterprise Services

	FY 10	FY 09	Change
Revenues	$31.6m	$25.6m	23%
Contribution Margin	$3.5m	$2.2m	59%

- Strong full year result with significant improvement in revenues and EBIT on FY 2009
- Service delivery improvements and investments continued to deliver excellent hosting platform stability: 99.994% in FY10
- Continued investment in the partner channel increased revenue contribution
- New customers signed in 2010 include Urban Pacific, Victorian Electoral Commission, Thomson Reuters, OpenText and BP Australia
  - 139 new contracts signed

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Enterprise Services – 2011 Outlook

- Expect 2010 momentum to carry through 2011 – forecast to continue to outperform
  - Sales pipeline continues to strengthen with contract opportunities up 140% Y-o-Y
- Appointment of experienced leader Peter Wright as Executive General Manager
- Expanding professional services capability with investments in specialist staff and training
- New product launches to include Cisco UCS, Storage as a Service, SharePoint 2010, vCloud
  - Further investment in key partner relationship to drive new revenue growth including Cisco, EMC, Vmware
- Investing in additional industry certifications including ISO27001 & ISO9001 starting 2011
- Expect data centre footprint expansion in late 2011 to cater for customer growth

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SMB / GPS

Australia's #1 SMB hosting company and the world's #1 domain reseller provider

SMB	FY 10	FY 09	Change
Revenues	$42.7m	$42.8m	-
Contribution Margin	$9.4m	$10.1m	-6%

GPS	FY 10	FY 09	Change
Revenues	$55.8m	$64.9m	-14%
Contribution Margin	$8.3m	$8.6m	-3%

Consolidated	FY 10	FY 09	Change
Revenues	$98.6m	$107.7m	-8%
Contribution Margin	$17.7m	$18.7m	-5%

NB Figures may not total exactly due to rounding

- **400,000+** customers
- **6,900+** resellers
- **45+** countries

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SMB / GPS 2010 Highlights

- SMB revenues remained steady however margins and growth impacted by commoditisation of base services and pricing pressures
  - ARPU down 2% Y-o-Y from $308 to $301 primarily due to discounting
  - Unique transacting customers down 1% Y-o-Y from 142,338 to 140,536
  - We are seeing evidence of two-speed economy in Australia with small business spending restrained in 2010
- Higher margin SMB services experienced solid sales growth
  - SaaS services sales grew 14% Y-o-Y to $3.8m from $3.3m
  - Online marketing (SEO & PPC) grew 37% Y-o-Y to $1.9m from $1.4m following successful Advantate integration
- Higher-yielding NUM for SMB increased 4% year on year from 437k to 455k
- eBusiness Centre sales grew 5% to $19.7m in FY10 from $18.7m in FY09

- GPS FY10 result impacted by strong AUD and declining domain renewals from larger partners
  - Adjusted FY10 revenue was $63.4m (-2%) on 2009 like-for-like exchange rate basis
  - Lower-yielding NUM for GPS down 10% year on year from 4.5 million to 4.1 million
- Expanded core reseller offering to include online backup, PageOne websites, Promoter email tool
- Added new partners including Jamcracker and Reputation Defender

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SMB & GPS – 2011 Outlook

- New products, product upgrades and new websites developed in 2010 ready for 2011
  - Managed Exchange 2010 and Windows 2008 hosting product delays resolved – expected to launch Q1 2011 to Australian customers; subsequently rolled out to partners
  - New WebCentral website expected to launch Q1

- Market segmentation by brand to improve customer targeting and marketing effectiveness

- FX impact including higher hedging band is forecast to impact GPS EBIT negatively in 2011
  - H1 2011 USD-AUD FX hedging in the range of 89¢ - 98 ¢, compared to H1 2010 hedging in the range of 82¢ - 93¢

- Continuing focus on extending range of higher-margin SMB IT services to global partners
  - New services introduced in 2010 expected to deliver solid growth in 2011

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ForTheRecord (FTR)

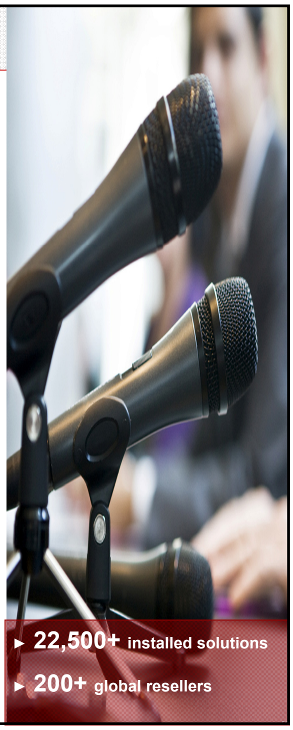
Number 1 courtroom digital recording company

	FY 10	FY 09	Change
Revenues	$7.9m	$9.6m	-18%
Contribution Margin	$0.0m	$1.0m	-100%

- Challenging year due to major US public sector budget cuts
  - Court house closures continue in US as States try to lower costs
- Introduced new FTR Touch and updated flagship FTR Reporter product
- Strategy and personnel changes made in 2010 delivered operational improvements

2011 Outlook

- Expect FTR to improve revenues and EBIT back to 2009 levels despite challenging markets in US & Europe
  - Developing strategies to reduce barriers to sale
  - 2010 product investments to deliver return in 2011
- New product launches planned 2011 to target new and existing customers
  - Law enforcement product launch to increase market penetration
  - Content management product suite for Courts to increase revenue from existing customers
- Partner network investments made in H2 2010 to deliver benefits in 2011



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Transformation Update

- Transformation project remains on track and on budget
  - NZ pilot for core IWS project on track for Q1 delivery
  - Oracle Financials component went live in NZ Dec 2010
  - 2010 Transformation Capex $6.2m; operating costs impact $1.7m
- 2011 Timeline – key deliverables
  - Australia and NZ full transformation program – complete integration by Q4
  - Material benefits to be realised from 2012
  - 2011 Transformation Capex $5.8m, operating costs impact $5m

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Looking ahead – 2011 Opportunities

- ".brand" Top Level Domain liberalisation expected Q3 2011
  - ICANN expected to finalise application process and guidelines in H1
  - Melbourne IT is in discussions with more than 100 multi-national organisations that are considering applying for a .brand gTLD
  - Liberalisation and deregulation will create complexity, opportunities and challenges from 2012
- Brand protection remains a key focus for global organisations
  - 52% of companies will increase online security spending in 2011[1]
  - Brand & reputation impact on businesses resulting from online incidents has increased 180% over past three years[1]
  - Global phishing attacks increased 27% in 2010 to 203,958[2]
    - 2,727 brands attacked via phishing in 2010 (up 8% Y-o-Y)

[1] PWC, 2011 Global State of Information Security Survey, Sept 2010
[2] RSA, RSA Monthly Online Fraud Report, January 2011

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Looking ahead – 2011 Opportunities

- E-commerce continues to grow rapidly
  - Australian online retail sales will almost double from $16.9 billion in 2009 to $33.3 billion in 2015[3]
  - 76% of Australian Internet users visited an online retail site in Oct 2010, second only to Japan (80%) in Asia-Pacific[4]
  - A record $32.6 billion USD was spent online in US holiday sales (Nov-Dec 2010), a jump of 12% Y-o-Y[5]
  - The US recorded its first ever billion dollar online shopping day – "Cyber Monday" after Thanksgiving – on 29 Nov 2010[6]

[3] Forrester, Australian Online Retail Forecast 2010 To 2015, Jan 2011
[4] Comscore, E-Commerce in Asia Pacific: Big Opportunity for a Growing Region, Jan 2011
5 Comscore, U.S. Online Holiday Shopping Season Reaches Record, Jan 2011
6 Comscore, Billion Dollar Bonanza, Dec 2010

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2011 Forecast

- 2011 EBIT (post-transformation impact) to be in line with 2010
  - Transformation operating costs impact $5m in 2011 (an increase of $3.3m on 2010 costs)
- Underlying 2011 EBIT (pre-transformation and pre-forecast foreign exchange negative impacts) is expected to be up approximately 15% on 2010
  - Digital Brand Services and Enterprise Services to be the strong growth drivers
- By the end of 2011, we are confident that:
  - Bulk of Asia-Pac transformation rollout complete by 2011, cost and revenue synergies to accrue to SMB and GPS from 2012
  - SMB/GPS to remain solid contributors despite GPS negative FX impact
  - DBS to benefit from increasing digital brand complexity and rising internet security issues
  - Investments in DBS sales force and product development will underpin significant growth
  - ES to benefit from demand for cloud-based solutions and increased service quality (at same or lower cost base) from OSS and completed data centre consolidation
  - Expect FTR to rebound in 2011 and return to stable profitability
- Board remains confident that dividend can be maintained

Appendix: Company Overview

Digital Brand Services	Optimises, protects and manages brands online globally
Enterprise Services	Managed hosting & advanced online services for enterprises and government organisations in Australia
SMB eBusiness Solutions	Domains, website hosting & IT services for SMBs in Australia & NZ
Global Partner Solutions	Resells domains and SMB IT services through global partners
ForTheRecord	Digital recording provider to judicial and civic venues globally

Appendix: Glossary

Industry Terminology

- ARPU – Average Revenue Per User
- CRM – Customer Relationship Management
- DDOS – Distributed Denial of Service (an attack method used by criminals online)
- DNS – Domain Name System
- FX – Foreign Exchange
- NUM – Names Under Management
- SaaS – Software as a Service
- SEM – Search Engine Marketing
- gTLD – Generic Top Level Domain

Melbourne IT Divisions & Initiatives

- DBS – Digital Brand Services
- DBMS – VeriSign Digital Brand Management Services (acquired by Melbourne IT)
- ES – Enterprise Services
- FTR - ForTheRecord
- GPS – Global Partner Solutions
- SMB – SMB eBusiness Solutions
- OSS – Operational Support Systems
- IWS – Integrated Web Services

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