

MEDIA RELEASE

**MELBOURNE IT – AGM
CEO announces new phase of growth for Melbourne IT**

- **Netregistry integration well underway**
 - **Revenue turnaround gathers pace**
- **Strong sales and marketing orientation foreshadowed**

Melbourne IT is looking towards a new phase of growth and product investment according to Martin Mercer, Melbourne IT's new CEO speaking at the Company's AGM in Melbourne today.

'We have commenced the integration of Melbourne IT and Netregistry, and are well into the review of strategy for our SMB business,' said Mr Mercer, who reinforced the commitment to delivering strong top and bottom line growth.

He reported that the integration of Melbourne IT and Netregistry was well under way following the purchase of the latter business announced to the market on 27 February 2014.

'This year marks the beginning of a new phase for the Melbourne IT Group and a period of change that will revitalise our businesses,' said Mr Mercer. 'The 2013 sale of DBS and FTR delivered real shareholder value, while the Netregistry acquisition sets us up for strong financial performance.'

He reinforced Melbourne IT's market leadership position with its 800,000 customers and strong SMB offer. Highlighting an improved cost structure and streamlined technology, Mr Mercer said these would enable the Company to compete more effectively in the commoditised domains and hosting market.

'With the Netregistry acquisition, we have returned to our position of market leader,' he said. 'Our focus is now on growing profitable share in our core business, and providing a clear growth strategy outside the core.'

He pointed to the upward revenue trend from H2 2013 and said this continued to gather pace.

'We have reversed the historical trend of declining revenues and in the first quarter of 2014, revenues were up Year on Year. This, together with the impact of cost savings realised in H2 2013, gives us confidence that we will achieve our guidance.'

Mr Mercer also pointed to other positive factors arising from the Netregistry acquisition, including Netregistry's proven management team, the sector experience of Netregistry CEO Larry Bloch, who has joined the Melbourne IT board, and the ability to grow in a competitive market place.

'The Netregistry acquisition dramatically simplifies our technology environment and improves the customer experience. Consolidating our three brands into one technology stack will deliver further customer benefits.'

Looking ahead, Mr Mercer said his vision was to achieve a successful transition from Melbourne IT as a product-led, technology oriented business into a sales and marketing oriented business, with its point of difference being exceptional customer experience.

‘In the next two years, the SMB business will return to growth, we will drive revenue gains from a combination of increased share in our core business and a growing contribution from new products and services,’ he said. ‘For Enterprise Services, where strong new customer growth continues into 2014, we plan to evolve the business from dedicated hosting to an entity where managed services is the lead driver for growth.’

Mr Mercer reinforced the point that the ES business was a rapidly growing and profitable one for Melbourne IT and that the Company supported some of Australia’s largest and most high profile digital platforms.

‘Our overall focus is on positioning Melbourne IT for strong growth and by achieving that, delivering value to our shareholders.’

Martin Mercer, Managing Director and CEO
Melbourne IT

ENDS.

About Melbourne IT

Melbourne IT (ASX:MLB) helps organisation of all sizes to successfully conduct business online. Our complete portfolio of Internet-based technology services drives business effectiveness and profitability for our customers.

The breadth of Melbourne IT’s offering extends from helping small businesses build an online presence through to managing the complex web environments of large enterprises and governments.

Melbourne IT’s culture of integrity, innovation, collaboration and customer centricity has been built by more than 300 employees spread across Australasia and the United States. For more information, visit www.melbourneit.info.

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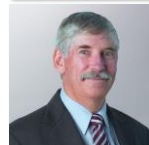
Annual General Meeting

Melbourne, Australia

27 May 2014

Board of Directors

- Simon Jones, Chairman
- Martin Mercer, CEO & MD
- Tom Kiing, Non-Executive Director
- Naseema Sparks, Non-Executive Director
- Rob Stewart, Non-Executive Director
- Larry Bloch, Non-Executive Director
- And Arnaud Desprets, Company Secretary



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Agenda

- Chairman's Address
- CEO's Address
- Larry Bloch
- Q&A
- Formal Business
- Q&A
- Tea & Coffee

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Chairman's Address

Simon Jones

Chairman's address

- Group Performance
 - FY2013 Overview
 - Continuing operations
 - Stable half on half result
- Segment performance
 - SMB Solutions
 - Enterprise Services
- Strategic Review
 - Unlocking Value
 - Creating focus
 - Shareholder Benefit
- Transformational Acquisition

Group Performance – FY2013 Overview

Year ended 31 Dec (A\$)	FY 13	FY 12	↕%
Revenue *	\$103.4m	\$108.5m	-5%
NPAT	\$68.9m	\$11.4m	502%
Cash at Bank	\$80.5m	\$17.8m	352%
Bank Debt	\$0m	\$33.8m	-
Basic Earnings Per Share	82.9c	14.0c	492%
Dividend Paid	32c	15c	113%
Capital return paid #	54c	0	-

* Continuing operations

Capital return paid on 19 February 2014

Slide 7 Figures may not total exactly due to rounding

Group Performance - Continuing operations

Year ended 31 Dec (A\$)	FY 13	FY 12	↕%
Revenue	\$103.4m	\$108.5m	-5%
Corporate Costs	\$4.9m	\$5.4m	-9%
Transformation Costs	\$0.5m	\$2.2m	-77%
EBITDA	\$5.8m	\$10.2m	-43%
EBIT	\$3.0m	\$7.4m	-60%
NPAT	\$6.2m	\$8.7m	-29%

- Revenue declined in both SMB Solutions and Enterprise Services, due to slower take up of initiatives in H1
- Costs increased due to stranded overheads, restructuring costs and additional customer facing initiatives
- Interest revenue and tax credits contributed to NPAT exceeding EBIT

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Group Performance - Stable half on half result

	H1 FY13	H2 FY13	Total FY13	H1-H2 Change
Segment Revenue	\$50.2m	\$50.5m	\$100.7m	Steady
Interest Revenue	\$1.2m	\$1.5m	\$2.7m	+ 25%
Gross Margin	\$31.1m	\$31.2m	\$62.3m	Steady
Operational Expenditure	\$27.4m	\$29.1m	\$56.5m	+ 6%
EBITDA Contribution	\$3.7m	\$2.1m	\$5.8m	- 43%

- Revenue and gross margin in line with H1. Performance to corresponding prior improving in H2
- Significant improvement in quarterly revenue run rate on a prior year comparative basis
- Operating costs impacted by:
 - Stranded costs from sale of DBS and FTR
 - Cost allocated to profit on sale in H1
 - One off restructure costs incurred in H2
- Significant cost reduction programme started in August 2013, decreasing FTE from 382 to 323 by 31 December 2013. The full run-rate of these initiatives will deliver

Slide 9 incremental savings of \$4m in FY14

Segment Performance - SMB Solutions

	FY13	FY12	Change
Revenue	\$76.3m	\$82.2m	-7%
Gross Margin	\$42.1m	\$45.6m	-8%
Operational Expenditure	\$33.2m	\$31.9m	4%
EBITDA Contribution	\$8.9m	\$13.7m	-35%

Highlights

- 4% YOY improvement in domain name renewal rates
- Launch of "Lithium Community" platform on retail websites to drive customer interaction online
- Re-designed retail websites with improved process flows

Challenges

- Acceleration of churn on current hosting products
- Further decline in total NUM, in both direct and reseller channels
- Aggressive pricing strategy from competitors

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Segment Performance - Enterprise Services

	FY13	FY12	Change
Revenue	\$24.5m	\$26.1m	-6%
Gross Margin	\$17.6m	\$18.4m	-4%
Operational Expenditure	\$15.2m	\$14.3m	6%
EBITDA Contribution	\$2.4m	\$4.1m	-42%

Highlights

- Growing managed services revenue base as new (non-DETE) sales increased strongly year on year
 - Lowers dependency on single customer
- 37 new customers acquired in 2013, including tier 1 bank and major retailers, vs. 11 new customers in 2012
- Established as an advanced consulting partner for Amazon Web Services (“AWS”)

Challenges

- Reduction in revenue from DETE as government pursues in-sourcing of certain services
- Market pricing for traditional dedicated hosting fell ~ 30% leading to churn in dedicated hosting customer base

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Strategic Review

Unlocking Value

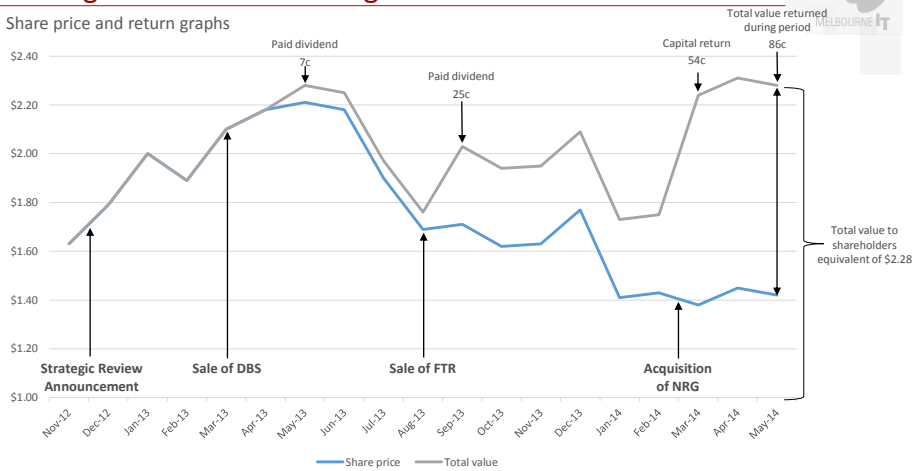
Creating Focus

Shareholder Benefit

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Strategic Review – Unlocking Value

Share price and return graphs



- Since the beginning of the strategic review in November 2012 MLB returned to its shareholders 86c through dividends and capital return
- Taking into account a starting share price of \$1.63 in November 2012 and closing value to shareholders of \$2.28 in April 2014, MLB has provided a 40% return to its shareholders (25% per annum)

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*Share value based on share price on the first day of each month

Strategic Review

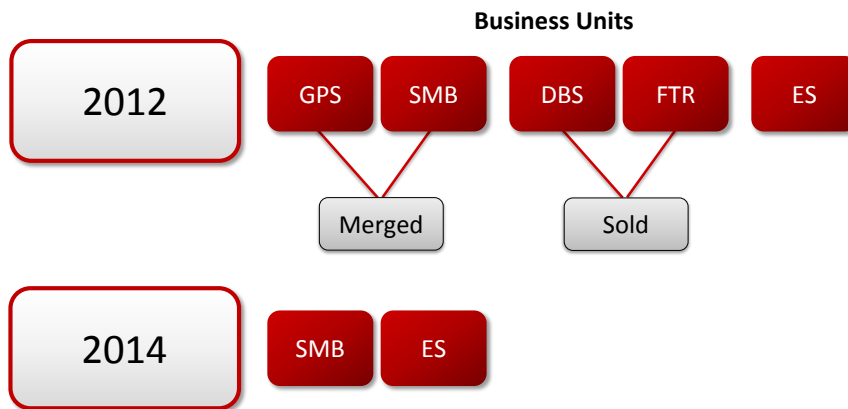
Unlocking Value

Creating Focus

Shareholder Benefit

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Creating Focus – Business footprint reduced



- Melbourne IT is now split into two business units allowing for more focus on customer facing initiatives and solutions
- Investment in the business can now be channelled more effectively and efficiently

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Strategic Review

Unlocking Value

Creating Focus

Shareholder Benefit

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Shareholder Benefit - Capital Management

- Melbourne IT has a strong balance sheet and renewed focus with good operating cash flows. At the end of July the business is forecasting to have cash on hand of circa \$25m with a \$20m debt facility in place drawn at \$15m
- This position will allow the Board to continue to invest for organic growth and evaluate a range of capital management options including dividends and further M&A opportunities

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Transformational Acquisition

New Acquisition - Melbourne IT has acquired Netregistry

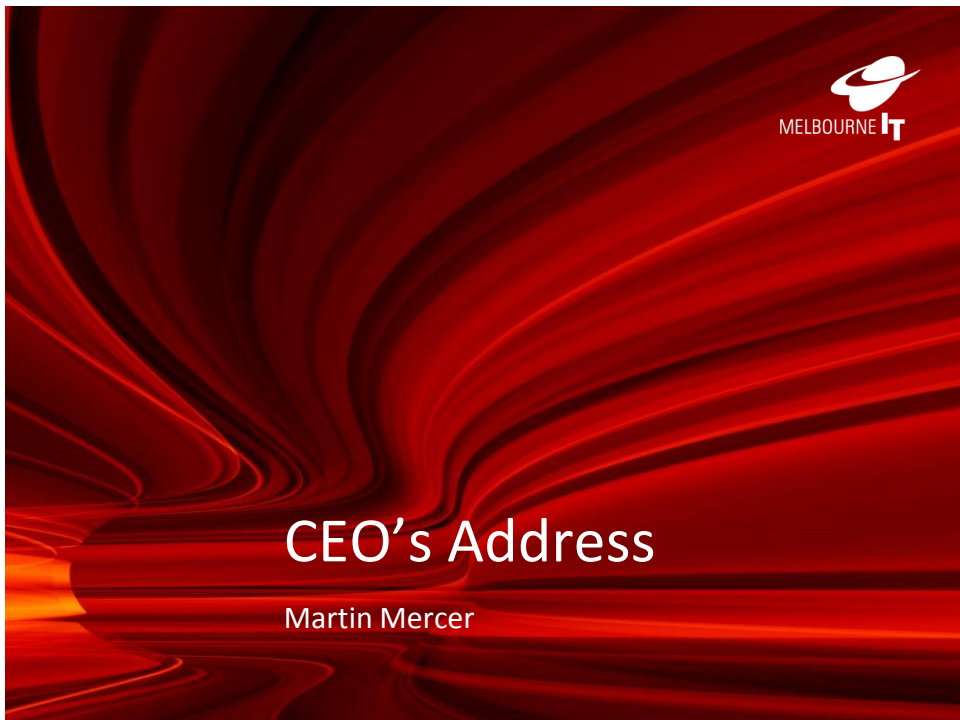
- Significant step forward in achieving cost efficiencies and offering best in class products into a larger customer base
- Renewed focus on SMB market
- Benefits for customers, with improved product offer and superior customer experience
- Strong platform for further M&A activity
- Annual cost synergies over \$5m

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In appreciation

- Thanks to my Board colleagues for their valuable advice and support
- Thanks to all the staff of Melbourne IT and Netregistry for all their efforts
- Thanks to our past CEO and Managing Director Theo Hnarakis, Acting CEO Peter Findlay and the Melbourne IT executive team
- Thanks to our shareholders for your continued support of Melbourne IT
- Welcome to our new CEO and Managing Director, Martin Mercer

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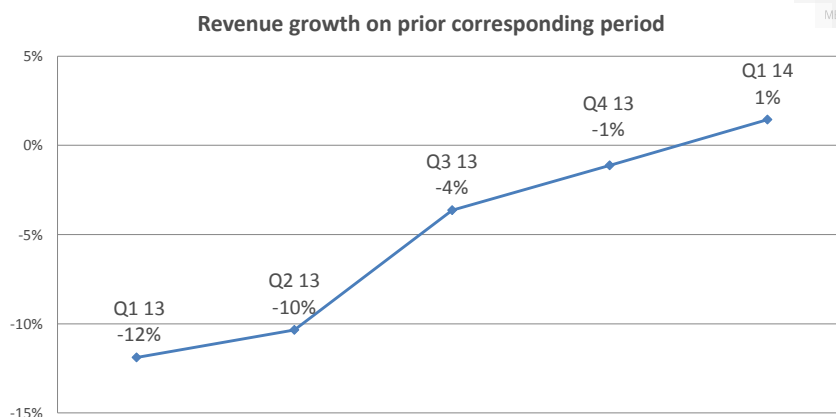
Group 2014 Outlook

- Integration will gather pace
 - PMO established and annualised gross savings of \$1m already locked in
- Articulate a clear strategy for the SMB business
 - set a foundation for growth in the core and expansion into adjacent opportunities
- Pipeline of new products and marketing opportunities will contribute to top line growth
 - 400+ new gTLDs create opportunity for SMB Solutions
 - upgrade of web and hosting product offerings to improve customer experience, and
 - continued growth of Managed Service offerings to benefit Enterprise Services

Earnings Guidance	Low Range \$m	High Range \$m
Melbourne IT Core EBITDA Range	10.0	12.0
Net Registry EBITDA	3.9	3.9
Acquisition costs	(1.3)	(1.3)
Net Synergy benefits (will not be negative)	TBD	TBD
Total	12.6	14.6

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Group Performance - Revenue turnaround gathers pace



- Historical revenue decline has been reversed
- Q1 2014 revenue exceeds Q1 2013 – evidence of continuing turnaround in performance

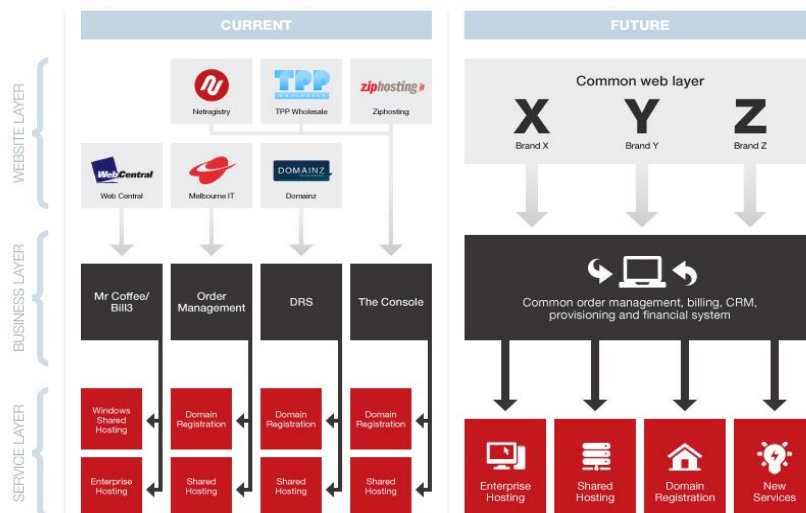
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Melbourne IT/NRG – A Great Fit

- ✓ Products: Combination enables Melbourne IT to offer best in class domain registration & management, email and web hosting products
- ✓ Management Team: Adds a proven management team experienced in the SMB segment
- ✓ Efficiencies: Eliminates duplication in product offering, significant back office cost savings, consolidation of infrastructure. Benefit from sharing overheads and combining technical strength
- ✓ Scale: Provide a larger business with more capability to invest for growth.
- ✓ Competitiveness: Gives both businesses an opportunity to compete more effectively against strong, price driven, foreign competition

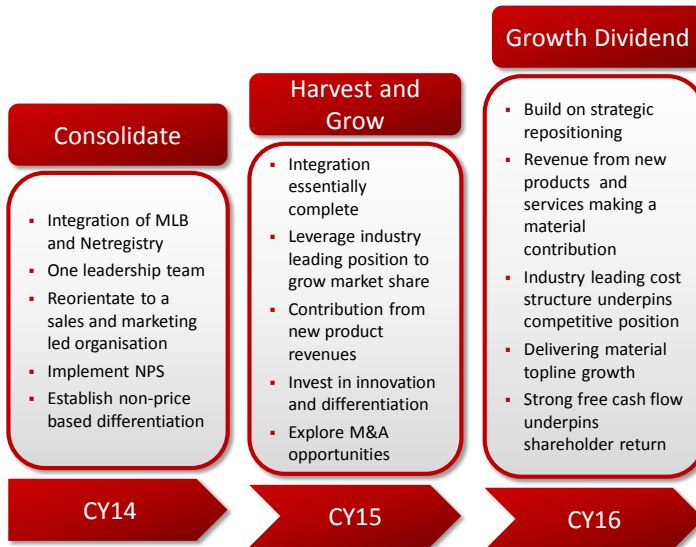
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Streamlining and Simplifying



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SMB - Returning to Growth



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Enterprise Services – 2014 and Beyond

- Evolution from dedicated hosting to managed services the lead driver for growth
- Continued growth in demand for managed digital platforms from large corporate and government organisations
 - MLB uniquely positioned to manage digital platforms for Australian business
- Strong new customer growth continues into 2014
- Implementation and Consulting capabilities work will drive ongoing value and unlock new managed services opportunities
 - healthy Implementation and Consulting order book in 2014
- Investment in further automation to support future scalability of the ES business
- Effective management of margin by reducing data centre footprint costs as customer services transition to the cloud

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Larry Bloch

Table of Contents

- Why sell Netregistry to Melbourne IT?
- Why take a large position in Melbourne IT?
- An insiders view of the Opportunity?

Logic of sale to Melbourne IT

- Strong industrial logic to merger:
 - Significant unlocked potential in world class NRG infrastructure
 - NRG experience of consolidating and integrating businesses
 - Duplicated infrastructure and HR costs
- Local and Global Industry structure has matured - 4 Global giants
 - GoDaddy – already has significant market share in Australia
 - 1&1 Internet
 - Endurance
 - Web.com
- Massive benefits of scale – be bigger or you don't win
- Opportunity for NR shareholders to participate in synergy upside
 - Rejected higher all cash offers

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Betting on Melbourne IT + Netregistry

- 82% of my consideration in scrip; 9.9% of MLB; 12 month escrow
- Bullish decision based on a number of factors:
 - Commitment to migrate the MLB business onto the NRG platform
 - Strong case for initial 2 year synergy projection
 - Belief in opportunity for significant further cost and revenue synergy
 - New CEO with no history in either MLB or NRG
 - Strong strategic position as the consolidated AU leader
 - Firm commitment from all Board members to the deal and to using NRG tech
 - Experience in integrations and realising scale dynamics and cost synergy
- Integration is critical
 - NRG has integrated 6 businesses and migrated numerous platforms
 - As Chair of the Integration Committee my integration experience valued
- Dominant local leader able to deliver accelerating growth

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Strategic Opportunity for a merged business

- Local industry has stabilised after years of foreign, price-based incursion
- Merger creates clear local leader in most valuable market segment
- Scale enables investment in HR, market and product
- NRG platform & integration expertise + MLB scale opens doors:
 - Further ANZ consolidation
 - International expansion driven by M&A
 - Targeted investment in SMB Cloud Product/Service commercialisation
- There are 4 big global winners. MLB could become the 5th:
 - Not far off the 4th placed global player
 - All the elements to compete globally
 - Key is to succeed with Integration Plan

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Q&A

- Any Questions?

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Business of the Meeting

Item 1: Financial Statements & Report

- To receive and consider the Annual Financial Report and the Reports of the Directors and Auditor for the financial year ended 31 December 2013

Item 2: Election of Directors



- a) Mr Robert Stewart retires by rotation in accordance with rule 9.3 of the Company's Constitution and, being eligible, offers himself for re-election
- b) Ms Naseema Sparks retires by rotation in accordance with rule 9.3 of the Company's Constitution and, being eligible, offers herself for re-election
- c) Mr Larry Bloch was appointed by the Board as a Director of the Company in accordance with rule 9.9 of the Company's Constitution to hold office until the next shareholder meeting. Mr Larry Bloch, being eligible, now offers himself for election

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Item 3: Remuneration Report



- Philosophy
 - Company performance depends on the quality of its Directors, Executives and Staff
 - The Company must therefore attract, motivate and retain highly skilled people
 - The Human Resources, Remuneration and Nomination Committee (HRRNC) is responsible for determining and reviewing remuneration for Directors, Executives and Staff
- Structure
 - The Company's remuneration policy complies with the AICD guidelines for listed company executive remuneration
 - In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct

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Remuneration for Executives and Key Senior Employees



- The objective is to reward executives and senior managers with a level and mix of remuneration commensurate with their position and responsibilities to:
 - Provide competitive rewards to attract high calibre executives
 - Link rewards to shareholder value
 - Have a significant portion of remuneration “at risk”, dependent upon meeting pre-determined financial and operational performance benchmarks (KPIs)
 - Establish appropriate, demanding performance hurdles for variable remuneration

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Remuneration for Executives and Key Senior Employees



Remuneration consists of two key elements:

- Fixed remuneration (salary)
- Variable remuneration
 - Short-Term Incentive (STI) – based on performance against company, business unit and personal performance KPIs
 - Long-Term Incentive (LTI) – select group of key employees granted performance rights to acquire shares in the company, with an Earnings Per Share and a Total Shareholder Return vesting hurdle

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General Staff Remuneration



- Almost all remuneration is based on a fixed component with some staff on sales based incentive.

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Non-Executive Director Remuneration



- Objective
 - The Board seeks to set aggregate remuneration at an appropriate level to attract & retain Directors of the highest calibre at an acceptable cost
- Structure
 - Each NED receives a fixed fee and sits on at least one Board committee
 - Audit & Risk Management Committee,
 - Human Resources Remuneration & Nomination Committee,
 - Integration Committee
 - An additional fee is paid for chairing a Board committee, in recognition of the additional time commitment and responsibility required
 - NEDs are encouraged to hold shares in the Company (purchased by them on market). Two of the NEDs are substantial shareholders in the Company – Tom Kiing and Larry Bloch
 - NED fees are generally reviewed every two-three years

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Non-Executive Director Remuneration



- NED Deferred Share Plan was suspended at end of 2009
- NED received a 2.5% base fee increase in 2011; no increase in 2012 or 2013
- For 2012, the NED base fee is \$76,875 with an additional \$10,000 for Board Committee Chairs
- The Board Chairman's fee is set at 2.3 x NED base fee
- The Chairman received an additional compensation in 2013 for work carried out on the strategic review and the sale of DBS

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Item 3: Adoption of Remuneration Report



- Questions?
- Resolution: To adopt the Remuneration Report for the year ended 31 December 2013

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Item 4: Approval of Melbourne IT Long Term Incentive Plan 2014

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Requirements for a New LTI Program:

- The previous LTI plan has come to an end in accordance with the resolutions voted by shareholders on 28 January 2014;
- The Plan is the principal vehicle to grant long term incentives awards and for eligible senior executives. The main objectives of the Plan are to:
 - ensure focus on medium to long term performance and growth of the Company;
 - create long term shareholder value;
 - encourage alignment between remuneration outcomes and shareholder interests;
 - clearly align remuneration outcomes with the strategic goals of the Company; and
 - ensure executives and selected senior management are retained with the Company during key milestone initiatives (including the integration of Netregistry Group and Melbourne IT).

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Item 4: Approval of Melbourne IT Long Term Incentive Plan 2014

MELBOURNE IT

- A selected group of key employees will be granted performance rights to acquire shares in the company
 - 50% of the rights have an Earnings Per Share hurdle
 - 50% of the rights have a Total Shareholder Return hurdle
- Performance of rights that will vest is determined by EPS growth performance and TSR performance compared to ASX peer group of companies
- Resolution: Any equity issued under Melbourne IT LTI Plan FY 2014 be approved for all purposes, including as an exception to ASX Listing Rule 7.1, on terms which are described in item 4 of the Explanatory Notes, during the three years following the date of this meeting.

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Item 5: Grant of Performance Rights to the MD and CEO

- Resolution: To approve the grant of performance rights to the Managing Director and Chief Executive Officer, Mr Martin Mercer, under the proposed Performance Rights Plan

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Item 6: Approval of potential termination benefits to the MD and CEO

- Resolution: To approve, for the purpose of Part 2D.2 Division 2 of the Corporations Act, the provision of potential benefits to the Managing Director & CEO, Mr Martin Mercer, in connection with him ceasing to hold a managerial or executive office or position of employment in the Company or a related body corporate, as described in Item 6 of the Explanatory Notes.

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Item 7: Approval of shares issued to Corpsand Pty Ltd



- Resolution: To approve the exclusion of the 9,208,363 ordinary shares issued to Corpsand Pty Ltd from the calculation of the 15% Rule set by ASX Listing Rule 7.1.

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Item 8: Financial Assistance



- In order to assist in funding the Netregistry acquisition Melbourne IT received financial accommodation from National Australia Bank
- The Facility agreement requires that certain Companies of the NRG Group give a guarantee and Indemnity in favour of NAB to guarantee all amounts owing under the bank facilities.
- Under section 260 of the Corporation Act, this financial assistance given by Netregistry entities must be approved by special resolution of the shareholders of the Company.
- Resolution: To approve, for the purpose of section 260B(2) of the Corporations Act 2001 (Cth), the provision of financial assistance by the acquired Netregistry companies.

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Questions



- Any final questions?

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