

20 October 2014

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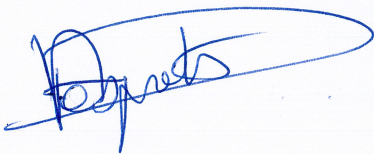
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Dear Shareholder

Presentation to be given at the Annual Australian Microcap Investment Conference

Following is a presentation that is to be given at the Annual Australian Microcap Investment Conference on Tuesday 21 October 2014.

Yours sincerely



Arnaud Desprets
Company Secretary



MELBOURNE IT

Martin Mercer – CEO

21-22 October 2014

Melbourne



Melbourne IT - Purpose

The Internet is **revolutionizing** the way business is done.

Everything Melbourne IT does **enables** businesses to be successful online.

We are the designers, the engineers and the operators of the most **effective** online solutions.

Company information – Key metrics

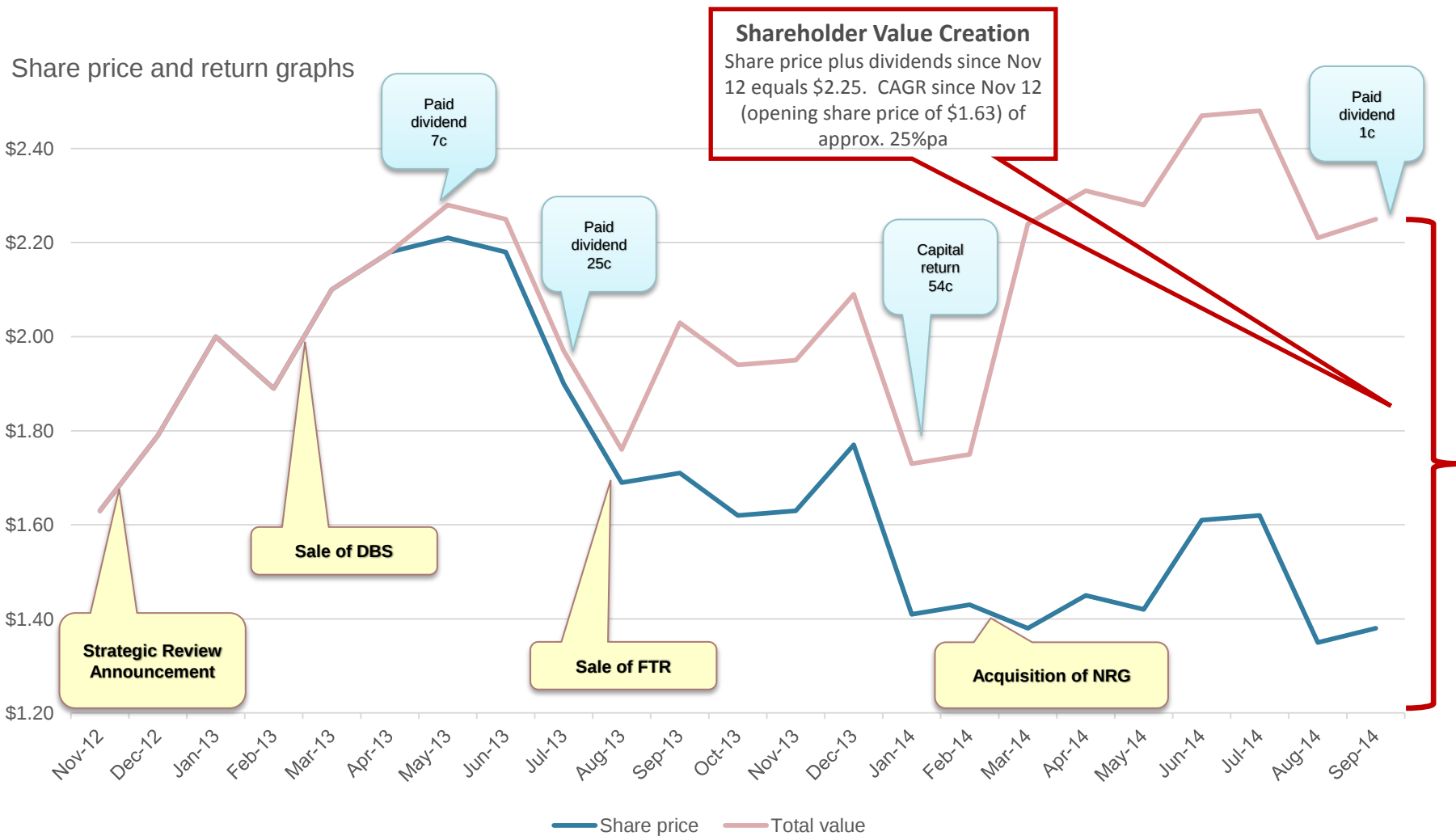
Melbourne Security Information	
Share Price – 15 October 2014	\$1.27
Market capitalization	\$118m
Shares on issue	92.9m
Share price - 12 month low	\$1.21
Share price - 12 month high	\$2.00
Net Debt	(\$12.1m)

Shareholders

Top Five Shareholders	Shareholding %
Cadence Asset Management	10.35
Mr Larry Bloch* (Netregistry)	9.9
Fidelity Management & Research	8.8
Perennial Value Management	6.7
Mr Tom Kiing*	6.2
Total of top five shareholders	41.95

* Non-executive directors

Value Creation: 25%pa return



SMB Solutions

- Largest Internet domain name registrar in Australia, and the 6th largest in the world.
- More than 500,000 direct SMB customers in Australia.
- Provides a comprehensive suite of online components to help small businesses get online.
- However, simple web presence is no longer enough, so Melbourne IT also provides value added services to help small businesses gain new customers.
- Small businesses are increasingly dissatisfied with generic DIY offerings and are demanding managed solutions that meet their needs.
- The integration of Netregistry and the Melbourne IT SMB divisions is progressing. Initial cost synergy benefits of \$5M have been increased to \$7.5M

SMB Transformation

- Melbourne IT is expanding its suite of products and services to significantly improve ARPU and tap into a much larger revenue pool
- Costs are being managed prudently with a tight focus on cost control

Online components

- Domain names
- Website hosting
- Email
- Do-It-Yourself (DIY) Web Design
- ARPU \$5-\$40/month

CY14

Web Solutions

- Search Engine Optimization services
- Do-It-For-Me (DIFM) website design
- DIFM Social Media
- DIFM online advertising
- Sold as monthly subscription managed services
- ARPU \$100-\$400/month

CY15

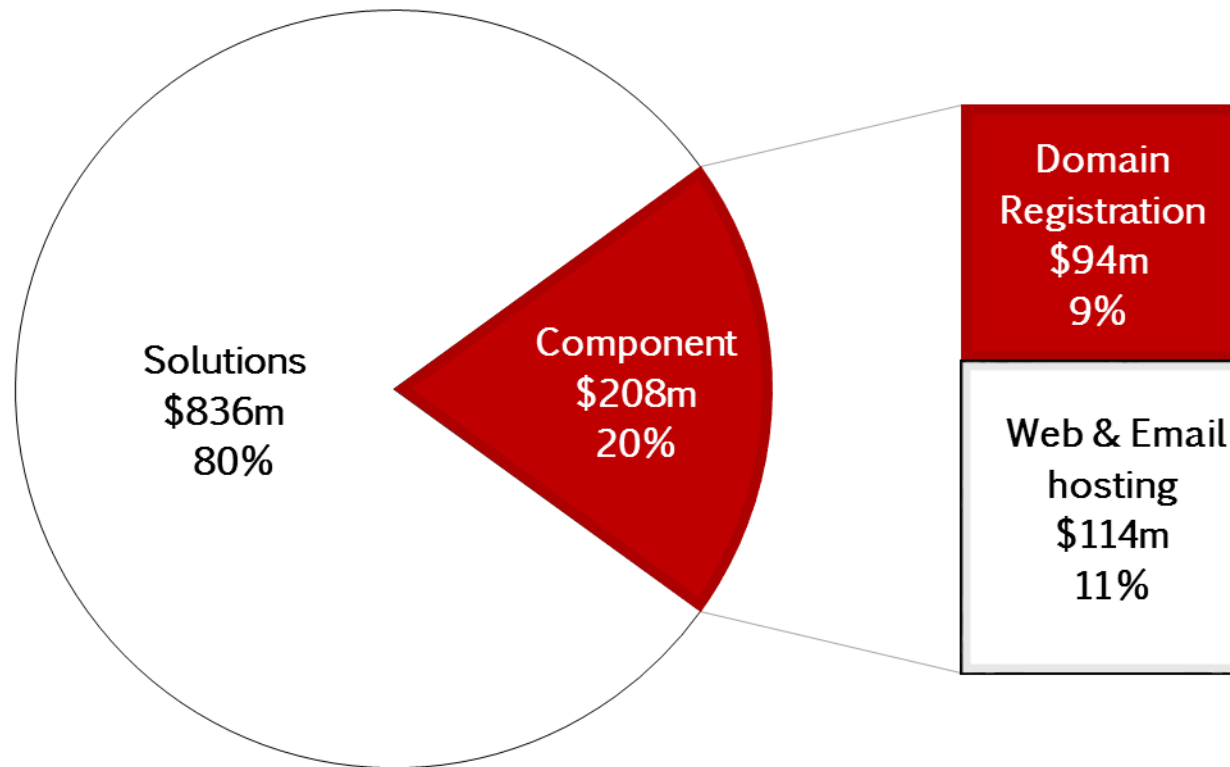
SMB Market Segments – Market Growth Potential

Total SMB Web Presence Market Size = \$1.04b

By expanding the product suite to solutions, the size of potential market opportunity expands significantly

Solutions segment

- Customers prepared to pay for solutions that solve a need
- Local support and “Do-It-For-You” proposition
- Accounts for 80% of the market by value
- Highly fragmented market with no major competitor in Australia



Component segment

- Domains and web hosting are key components for SMBs, but account for only 20% of the market by value
- MLB No.1 in Australian market, but highly competitive with international competition

Segment Performance - SMB Solutions

Continued Growth Expected

	1H 13	1H 14	Change
Revenue	\$38.2m	\$46.1m	21%
Gross Margin	\$21.2m	\$25.0m	18%
Operational Expenditure	\$15.8m	\$19.6m	24%
EBITDA	\$5.4m	\$5.4m	-

Opportunities

- Benefits from synergies from Netregistry acquisition are assisting with customer experience and product proposition.
- Total synergies at conclusion of integration are anticipated to be \$7.5m/year by FY2016.
- Focus on building solutions business will drive continued growth in FY15 and beyond.
- Bundling of different products across new price points in specific brands will help deliver growth in the core product offering of domains, hosting and email.
- Earnings growth will continue in 2H 14 and beyond.

Enterprise services

- Long term arrangements with more than 200 enterprise customers in Australia. Customers include ANZ, Coles, Foxtel, EnergyAustralia.
- Provides managed services for government and enterprise websites and digital marketing platforms.
- Ensures return on investment (ROI) on enterprise digital and web investments.
- Objective is to retain existing customers and add new Enterprise customers, with a focused on Managed Services and incremental growth of monthly recurring revenue.

ES Transformation

- Evolving to a Managed Services business model, with a smaller infrastructure footprint and lower CAPEX profile
- Good margin business with strong prospects

Infrastructure as a Service (IaaS)

- Co-location services
- Dedicated website hosting services
- Managed operating systems
- Managed IT applications –such as email and intranet websites
- Competition from Amazon Web Services (AWS)

CY12/13

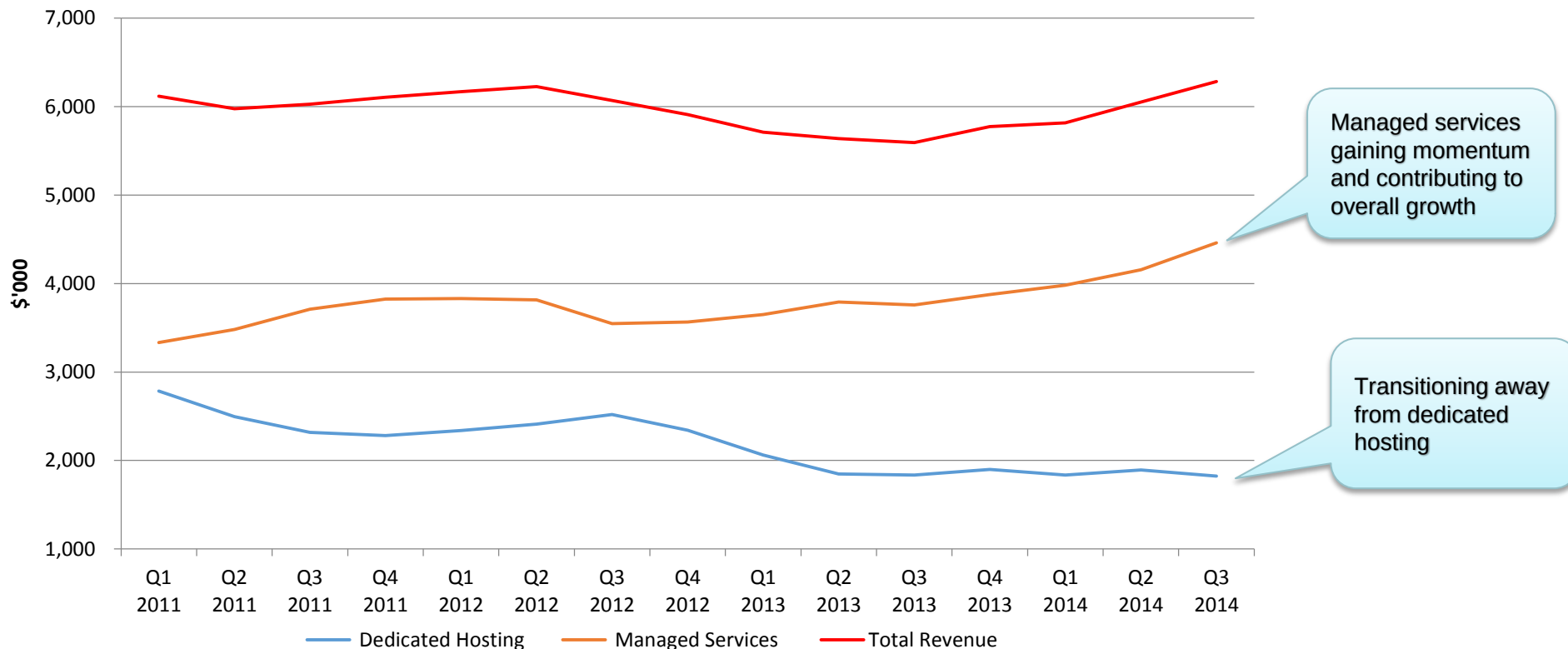
Managed Services

- Managed CMS solutions
- Managed E-Commerce solutions
- Managed communication and collaboration services
- Managed web application services
- Managed Public Cloud solutions
- Internet performance and security management

CY14/15

Enterprise Services – RR Trends by Product

Enterprise Services Recurring Revenue (RR) by product for the quarter



- ES continues to transform from an Infrastructure-As-A-Service (IaaS) business towards a managed services business
- Total addressable market size is estimated at \$600m, with \$300m in Managed Services growing at 16% CAGR

Enterprise Services - Growth Strategy

Growth via acquisitions and organic

Bolt-on acquisitions

Grow the business via expansion of capabilities, reach and scale that come from a bolt-on acquisition growth strategy, complemented by underlying organic growth.

Underlying Organic Growth

The ES underlying business has strong growth prospects, and requires modest capex/opex investment (circa \$1-2m in FY15) to deliver greater automation and capabilities to provide a platform for future growth.

Segment Performance - Enterprise Services (ES)

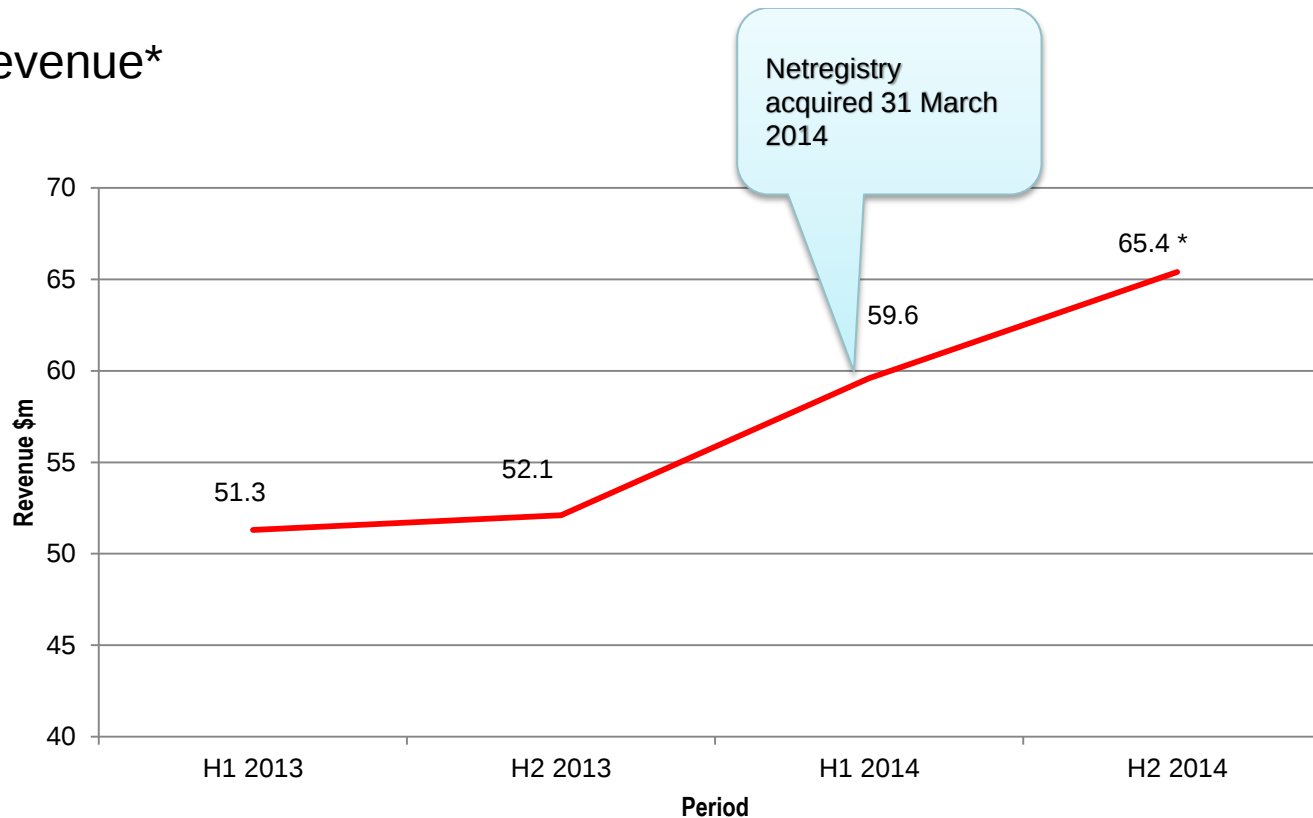
Transition to fully managed services provider almost complete

	1H1 13	1H 14	Change
Revenue	\$12.0m	\$13.1m	9%
Gross Margin	\$8.7m	\$8.5m	-2%
Operational Expenditure	\$7.6m	\$7.1m	-7%
EBITDA	\$1.1m	\$1.4m	27%

- Consistent growth in managed services focusing on web and digital platforms
- Decreasing contribution from dedicated hosting (infrastructure-as-a-service) driving cost reduction.
- Infrastructure costs will continue to decrease over the next three years driving a reduction in the required capital footprint.
- Driving automation to enable better managed service delivery at lower cost and further scale the business model.

Group Financial Results - Revenue

Revenue*



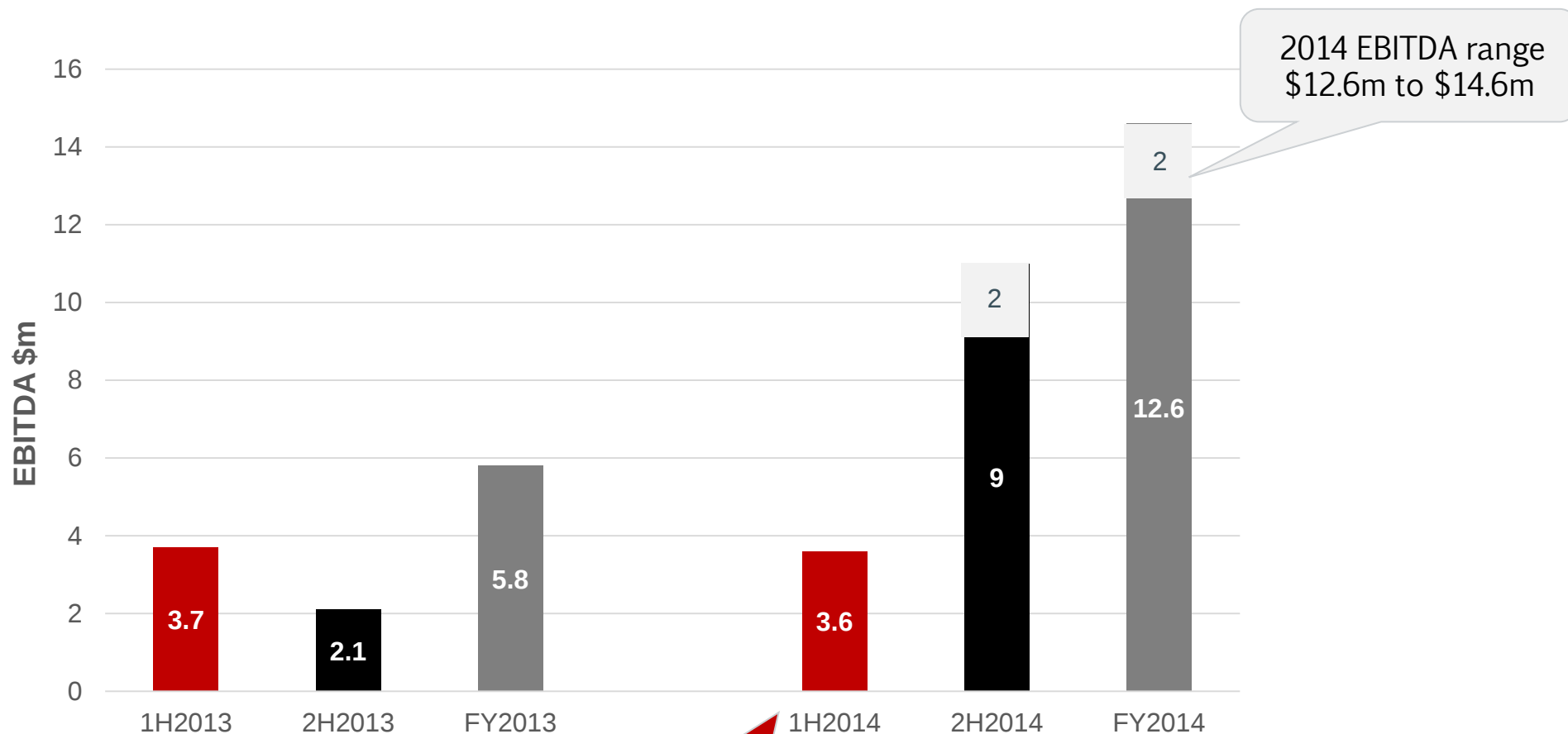
* Forecast

Netregistry acquisition has lifted the sales momentum for Melbourne IT.

* Revenue from continuing operations – excluding revenue from the DBS and FTR divisions sold in 2013.

Group Financial Results & EBITDA FY14 guidance

EBITDA from continuing operations – excluding EBITDA from the DBS and FTR divisions sold in 2013.



Over 100% increase in EBITDA from 2013 to 2014

\$1.3m of transaction costs were incurred in 1H2014

What lies ahead – Key Focus Areas for 2015

SMB Solutions:

- Complete integration of Netregistry acquisition - cost synergies about \$7.5m annualized
- Move to managed services – starting with DIFM website design
- Improve customer experience - drive growth from word-of-mouth referrals and improve customer retention
- Leverage brands
 - Melbourne IT/Domainz – get the best domain
 - Netregistry - get your business online
 - Webcentral – get the solutions you need

ES:

- Improve automation and orchestration across solution components to drive cost efficiencies and scalability
- Acquire additional solutions capability to drive continued growth in ES
- Continue to drive organic growth through new customer acquisition and increased share of wallet from existing customers



Questions?

Investor information: <http://www.melbourneit.info>

