

*Transforming MIT into a growing solution led
business with higher quality earnings*



MELBOURNE **IT**

FY14 RESULTS **INVESTOR PRESENTATION**

VISION AND STRATEGY

FY14 FINANCIALS

OPERATIONAL HIGHLIGHTS

SEGMENT REVIEW AND GROWTH DRIVERS

SENSITIVITIES

STRATEGIC PRIORITIES AND OUTLOOK

UBER ACQUISITION

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

Everything MIT does **enables** businesses to be successful online.

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

Transforming MIT into a growing **solution led business** with higher quality earnings.

We are focussed on delivering strong free cash flows and enhancing **returns** to shareholders.

YEAR ENDED 31 DEC (A\$)	FY14	FY13*	↕%	KEY NOTES
Revenue	\$124.7m	\$103.4m	21%	Strong organic growth from Enterprise Services and acquisition of NRG have driven revenue growth.
NPAT	\$0.6m	\$6.2m	-90%	NPAT impaired by once off impairment charge on legacy technology systems (\$8.6m).
Normalised NPAT	\$7.9m**	\$6.2m	27%	Strong NPAT growth when normalised for impairment and transaction costs.
EBITDA	\$12.8m	\$5.8m	121%	EBITDA driven by full year impact of restructuring in late 2013, acquisition of NRG, and strong Enterprise Services performance.
EBITDA % Margin	10%	6%		EBITDA growth exceeds revenue growth, strong margin improvement.
EPS cents	0.72	7.46	-90%	EPS impaired by once off impairment charge on legacy technology systems (\$8.6m).
Normalised EPS cents	8.72	7.46	17%	Strong EPS growth when normalised for impairment and transaction costs.

* Continuing operations

** Adjusted for tax effected impairment costs and NRG transaction costs

Figures throughout this document may not total exactly due to rounding and includes non-IFRS financial information that is relevant for users understanding of underlying performance.

FY14 YEAR ENDED 31 DEC (A\$)	MIT	NRG	GROUP
Revenue	\$99.4m	\$25.3m	\$124.7m
EBITDA	\$9.0m	\$3.8m	\$12.8m

- NRG deal was highly accretive;
- Added to business capability through retention of key personnel in customer care, marketing and sales;
- Provided a strong customer facing technology system to be used across our business;
- Provided MIT with a mature customer base and stable SMB revenue stream;
- Allowed us to offer our customers access to more products.

YEAR ENDED 31 DEC (A\$)	FY14	FY13	↕%
Statutory EBITDA	\$12.8m	\$5.8m	121%
Adjustment			
NRG full year trading (3 months)*	\$1.2m	\$0m	0%
NRG transaction costs removed	\$1.3m	\$0m	0%
Synergy costs	\$1.0m	\$0m	0%
TOTAL Underlying EBITDA	\$16.3m	\$5.8m	181%

* Normalised trading for full year of NRG results.

YEAR ENDED 31 DEC (A\$)	FY14	FY13	↕%	KEY NOTES
EBITDA	\$12.8m	\$5.8m	121%	
Working Capital	-\$1.9m	\$0.3m	-733%	Driven by timing in deferred margin.
Net Tax (Paid)/Refunded	\$4.8m	-\$1.2m	500%	2013 tax refund from ATO of \$5.9m offset by 2014 tax instalments payments of \$1.1m.
Capex	-\$6.3m	-\$5.2m	21%	Includes a payment in early 2014 of \$4.3m for a technology platform that has since been impaired.
Free Cash Flow	\$9.4m	\$-0.3m	3,233%	Increase primarily driven by cost restructuring, NRG acquisition, and strong Enterprise Services performance.
Financing (inc net interest)	-\$46.1m	-\$58.7m	-21%	Capital return of \$45.2m to shareholders and 2014 interim dividend payment of \$0.9m.
Investing (ex Capex)	-\$25.7m	\$121.9m	-121%	Cash outflow due to acquisition of NRG, offset by inflow of \$15.3m escrow payment from the sale of the DBS business.
Net cash movement	-\$62.4m	\$62.9m	-199%	
Closing net cash	\$18.1m	\$80.5m	-78%	

YEAR ENDED 31 DEC (A\$)	FY14	FY13
Financing (inc net interest)		
Return of capital	-\$45.2m	\$0m
Dividend	-\$0.9m	-\$26.4m
Repayment of borrowings	-\$0.1m	-\$34.6m
Other	\$0.1m	\$2.3m
Total Financing (inc net interest)	\$-46.1m	-\$58.7m
Investing (ex Capex)		
Acquisition of Netregistry	-\$39.7m	\$0m
Proceeds from sale of DBS and FTR	\$15.3m	\$121.9m
Other	-\$1.3m	\$0m
Total investing (ex Capex)	-\$25.7m	\$121.9m

Figures throughout this document may not total exactly due to rounding and includes non-IFRS financial information that is relevant for users understanding of underlying performance.

OPERATIONAL HIGHLIGHTS

- Transforming MIT to a growing, solutions led business with higher quality earnings;
- Successful rollout of Salesforce across customer care and sales teams allowing for whole of customer view and increased effectiveness and efficiency;
- Significant focus on Net Promoter Score (NPS) leading to a 36 point improvement in H2 FY14;
- New Executive Leadership Team in place with all new recruitment complete;
- Re-engineering for growth on track with key deliverables achieved during the year:
 - agreement with Tiger Pistol completed to sell social marketing solutions in SMB channel;
 - launch of Do-It-For-Me web builder solution;
 - Amazon Global Partner status achieved for Enterprise Services;
- Continued progress on re-engineering the cost base of the business:
 - cost savings commenced in H2 FY13 were completed FY14;
 - significant progress on realizing synergy savings from the integration of NRG and MIT;
 - continued reduction in technology infrastructure footprint achieved as Enterprise Services transitions to a managed services model focussed on customer solutions.



The integration of MIT and NRG is still on target to achieve \$7.5m pa of synergy savings by the close of 2016.

STRATEGIC PRIORITY	PROGRESS REPORT	NEXT STEPS
QUICK WINS	Cost savings in this area have been focussed on 3 rd party suppliers and are largely complete	Finalise in FY15 as final contract commitments are unwound
REVENUE SYNERGIES	Commenced cross selling new products to legacy customers	Continue process in FY15 and leverage customer base for roll out of Solutions products
LEADERSHIP TEAM	New Executive Leadership Team was put in place over FY14	Continue to build bench strength in the business as it scales
CUSTOMER MIGRATION	Customer migration commenced in August FY14 and has been progressing well	Continue with customer migration, with bulk of the migration to be completed by end of FY15
TECHNICAL CONSOLIDATION	Planning and execution of platform consolidation commenced in FY14 with consolidation of MEX platforms completed	Further platform consolidation will be completed in FY15 to enable move to single customer facing system
BACK OFFICE CONSOLIDATION	Finance and Payroll consolidated in FY14	Continued process and administration consolidation in FY15

SEGMENT REVIEW AND GROWTH DRIVERS – SMB

YEAR ENDED 31 DEC (A\$)	FY14	FY13	↕%	KEY NOTES
Revenue	\$96.3m	\$76.3m	26%	Revenue increased with addition of NRG, however core MIT business continues to decline, albeit at a slower rate.
MIT Revenue*	\$71.0m	\$76.3m	-7%	Significant progress on slowing decline in Direct revenues in 2014, however large global Reseller volumes continue to fall.
Gross Margin	\$53.5m	\$42.1m	27%	Gross Margin increased with the addition of NRG, however Gross Margin in the core MIT business declined.
Operational Expenditure	\$39.9m	\$33.2m	20%	Total Opex increased due to the NRG acquisition, however material cost savings were realised across the Group.
EBITDA**	\$13.6m	\$8.9m	53%	\$3.8m of the EBITDA increase due to the acquisition of NRG.
EBITDA % Margin	14%	12%	17%	

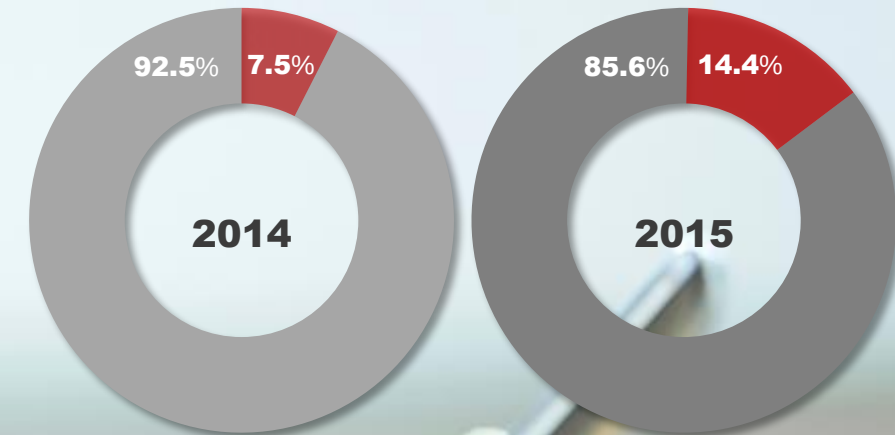
* MIT revenue excludes NRG FY14 results

** Refer to Note 12 to the Financial Information for the year ended 31 December 2014.

- SMB continues to focus on stabilizing its core legacy components business consisting of domain name registration, shared hosting and email services. At the same time SMB is seeking growth from new solution offerings:
 - Performed market and brand research to ensure solution and component strategy is based on market needs;
 - Repositioning of brands will commence in Q2 2015 with clear brand positioning and aligned online presence;
 - will improve conversion rates and drive stronger lead generation;
 - Focussed on ongoing product development and lead generation for hero products in solutions business (Do-It-For-Me web design and Social Media);
 - Increased focus on marketing campaigns across core component services;
 - Revamped traditional component offerings such as shared hosting to be more market competitive;
 - Greater focus on lifecycle marketing in core components business.

REVENUE SPLIT BY PRODUCTS

■ **SOLUTIONS**
■ **COMPONENTS**



- The market is awash with do-it-yourself (DIY) options for building websites, creating social media campaigns, email marketing, and search engine marketing.
- However few small businesses have the time to learn how to use these tools effectively and to monitor and optimize their performance on an ongoing basis.
- Melbourne IT will continue to make the best of the DIY tools available to its customers in one place, however more of its resources will be devoted to providing managed solutions to its small business customers.
- Melbourne IT is expanding its suite of products and services to tap into a much larger revenue pool and to significantly improve ARPU and profitability.

FROM **ONLINE COMPONENTS** (FY14)

DOMAIN NAMES

WEBSITE HOSTING

EMAIL

DO-IT-YOURSELF (DIY) WEB DESIGN

ARPU \$5-\$50/ MONTH

TO **MANAGED WEB SOLUTIONS** (FY15)

DO-IT-FOR-ME (DIFM) WEBSITE SOLUTIONS

SEO

DIFM ONLINE ADVERTISING

DIFM SOCIAL MARKETING

MONTHLY ANNUITY MANAGED SERVICES MODEL

ARPU \$100-\$400/MONTH

SOLUTIONS SEGMENT

- Customers prepared to pay for solutions that meet a need or solve a problem
- Local support and Do-It-For-Me proposition
- Highly fragmented market with no major competitor in Australia

80%

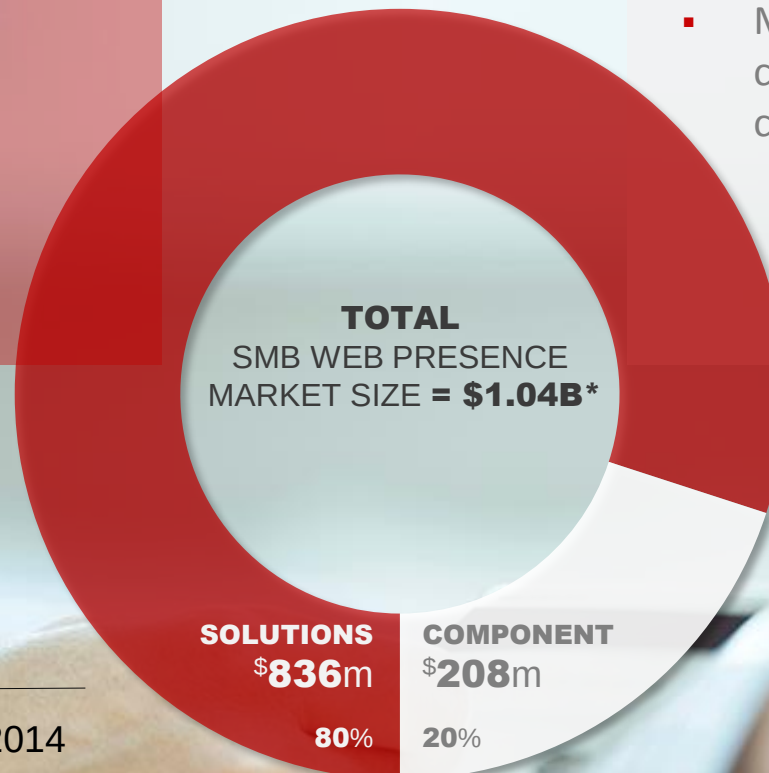
COMPONENT SEGMENT

- Domains, web hosting, and email are key components for SMBs but account for only 20% of the market by value
- MIT No. 1 in the Australian market but highly competitive with large competitors driving commoditisation

20%

■ **SOLUTIONS**
■ **COMPONENTS**

* MIT analysis. Market size 2014



SEGMENT REVIEW AND GROWTH DRIVERS – ENTERPRISE SERVICES

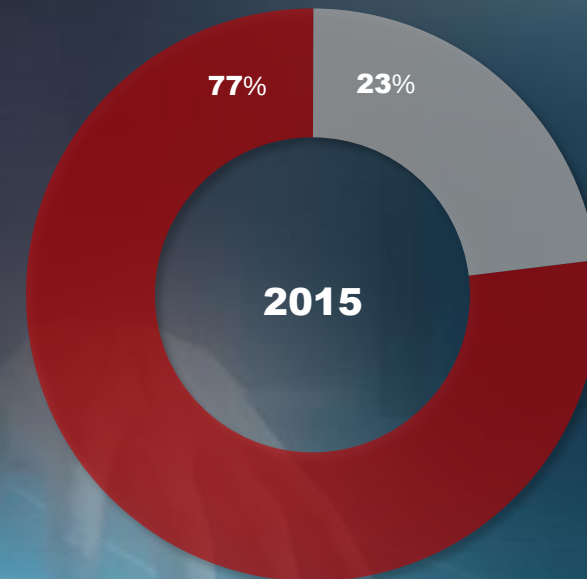
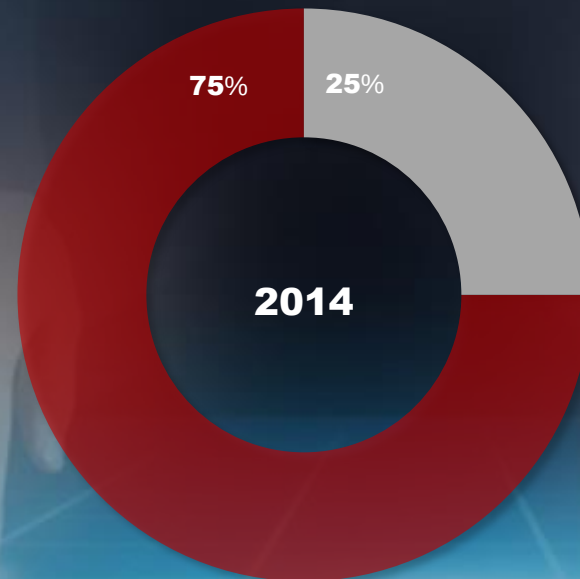
YEAR ENDED 31 DEC (A\$)	FY14	FY13	↕%	KEY NOTES
Revenue	\$27.9m	\$24.4m	14%	Strong growth in Managed Services offering.
Gross Margin	\$17.8m	\$17.6m	1%	Mix shift happening with AWS charges (COGS) increasing as infrastructure Opex decreases.
Operational Expenditure	\$13.4m	\$15.2m	-12%	Reduced infrastructure costs driving decline in opex.
EBITDA*	\$4.4m	\$2.4m	83%	Significant increase in EBITDA.
EBITDA % Margin	16%	10%	60%	

* Refer to Note 12 to the Financial Information for the year ended 31 December 2014

- Enterprise Services expects demand for managed web and digital cloud solutions to continue in 2015 and in addition sees broader demand for cloud consulting services and data center migration services as companies commit to a wide range of applications managed in the cloud:
 - Enterprise Services continues to successfully execute on its strategy - designing, building and operating cloud services solutions;
 - Underlying annuity growth was driven by a 15% increase in managed cloud services revenues in H2;
 - Cloud based solutions professional services fees increased by 90%, driven by the implementation of the largest O365 migration to date in Australia and continued demand for cloud integration services.

SPLIT BY SERVICES

- **MANAGED SERVICES**
- **INFRASTRUCTURE SERVICES**



- Traditional domains and hosting business continues to be challenging with margins and volumes under pressure from large competitors;
- The speed of customer migration and the realization of synergy savings from the integration of MIT and NRG needs to be balanced with customer experience and Net Promoter Score considerations;
- MIT needs to manage the tender process for some large and established customers in 2015;
- Large international reseller volumes are continuing to decline;
- Foreign exchange exposure – natural hedge.

Solid Performance in FY14, rebuilding the Group for growth and higher quality earnings. We expect to realise between 5% & 10% earnings growth in the core business in FY15.

Focus on realising integration synergies, incremental \$4.1m* in FY15

Continued development of SMB solutions, \$2m investment in sales and marketing in FY15 with an attractive pay back in FY16-17

Developing the quality of our people, \$3m investment in FY15 in capability (\$2m) and a pay rise for critical staff (\$1m)

Continued development of ES managed services, managed services revenue now growing faster than the decline in traditional infrastructure revenues

**Following the sound result in FY14
the Board has declared a final dividend of 4c (80% franked)**

* Before \$1.5m of implementation costs.

- On 25 February MIT announced that it had acquired 100% of the issued capital of Uber Global Pty Ltd (Uber) for an initial purchase price of \$15.5m (shareholders of Uber will receive an additional earn-out payment if normalized 2015 EBITDA exceeds \$2.1m)
- Uber is Australia's third largest domains and hosting services provider by market share delivering over 300,000 services to 70,000 customers.
- Uber provides direct domain registration, hosting and cloud applications together with white label "Business" services through channel partners and bespoke cloud solutions.
- Leading brands: Uber Enterprise, Uber Wholesale, Illisys Web Hosting, SmartyHost
- Uber has three lines of business - SMB, Enterprise and Reseller:
 - SMB offering focusses on domain name registration, hosting and cloud applications – accounts for 75% of total revenue
 - Enterprise Services delivers bespoke cloud services for 42 customers with a strong bias towards government in the ACT – accounts for 20% of total revenue
 - Reseller is a growing channel providing white label products and solutions to over 400 resellers – currently accounts for 5% of total revenue
- Operations split across Canberra and Melbourne with 3rd party support in India;
- Currently has 51 FTE with a 24/7 support service available to customers.



- Revenues of \$15m and normalized EBITDA of \$2.0m, with a further \$2.5m of annualized synergies to be extracted from the business by 2017;
- Small contribution to FY15 EBITDA after transaction and integration costs taken into account;
- Delivers economies of scale and further strengthens the core domains and hosting business;
- Provides significant opportunity for synergy benefits across geographical footprint, infrastructure and suppliers;
- Provides MIT with a physical presence in Canberra and increased access to government client base;
- Provides MIT with 70,000 additional SMB customers to whom we can cross sell solution based offerings;
- EPS accretive in Year 1.

