MELBOURNE IT

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ASX Announcement/Media Release

Melbourne IT (ASX: MLB)

20 May 2015

GOLDMAN SACHS
SIXTH ANNUAL SMALL & MID-CAP CONFERENCE PRESENTATION

Attached is a copy of the presentation to be delivered by Melbourne IT's CEO & Managing Director, Martin Mercer, at the Goldman Sachs Sixth Annual Small & Mid-Cap Conference today.

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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.

20 - 21 MAY 2015

GOLDMAN SACHS SIXTH ANNUAL SMALL & MID-CAP CONFERENCE

MELBOURNE IT

Transforming Melbourne IT into a growing solution led business with higher quality earnings

VISION & STRATEGY

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

Everything MIT does *enables* our customers 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.

MELBOURNE IT GROUP

COMPANY OVERVIEW

WHO WE ARE	OUR MODEL	OUR CAPABILITIES	GROWTH LEVERS
Australia's **largest online solutions company** with 19 years experience	Online retail website sales for domains and hosting	**6th largest domain name registrar in the world** with connections to most major global domain registries	Return SMB to growth. Drive **new customer acquisition** through increasing market share and access to 6% growth in the domain name market
Provide domain names, and web/email hosting, to **more than 500,000** small businesses. Addition of a further 70,000+ customers with Uber	Network of more than 10,000 resellers of domains and hosting	Proprietary platform for integrating many online suppliers to create solutions	Build a Solutions business with higher quality earnings. Drive **higher ARPU solutions** into existing customer base and directly acquire new solutions customers
Provide managed web design, social media and digital marketing solutions to small businesses	Call centres in Australia and Manila to sell solutions to new and existing SMB customers	**Scalable** web design and social media management solutions	Moving beyond PC/web environments – towards **mobile applications and social media**
Provide **managed cloud solutions** that increase innovation rates and agility for large Enterprise & Gov't organisations	Professional Services practices, 24x 7 managed services, field sales offices in Brisbane, Sydney, Melbourne & Canberra	Amazon Web Services Premier Consulting Partner Microsoft Gold Partner More than 200 Enterprise and Gov't customers	Build momentum in ES with recurring managed services revenues. Access **growth in the public cloud market** through new customer acquisition & growth

STRATEGIC PRIORITIES & OUTLOOK

FOUR KEY PRIORITIES

1. **Realising integration synergies.** Well advanced and on track.
2. **Arresting revenue decline in SMB and returning the business to growth**. ".COM.AU" sales, DIFM web design & social marketing are key metrics.
3. **Continued development of the 'solutions' segment**. Market 4x larger than MLBs original components market. Investing for growth: $2m in sales and marketing in FY15, attractive pay back in FY16/17.
4. **Continued development of ES managed services**, managed services revenue now growing faster than the decline in traditional infrastructure revenues

Expect to realise 5% & 10% earnings growth in the core

FY2015

Focus on developing the quality of our people and improving customer service.

$3M INVESTMENT

In FY15 in capability ($2M) & pay rise for critical staff ($1M)

INTEGRATION WELL ADVANCED & ON TRACK

- **Integration of MIT and NRG on target to achieve $7.5M pa of synergy savings by close of 2016.**
- **Incremental $4.1M in FY15 before $1.5M of implementation costs.**
- **Uber savings add a further $2.5M in 2017**

STRATEGIC PRIORITY	PROGRESS REPORT	NEXT STEPS
QUICK WINS	Cost savings focussed on 3rd 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 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 Bulk of 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 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

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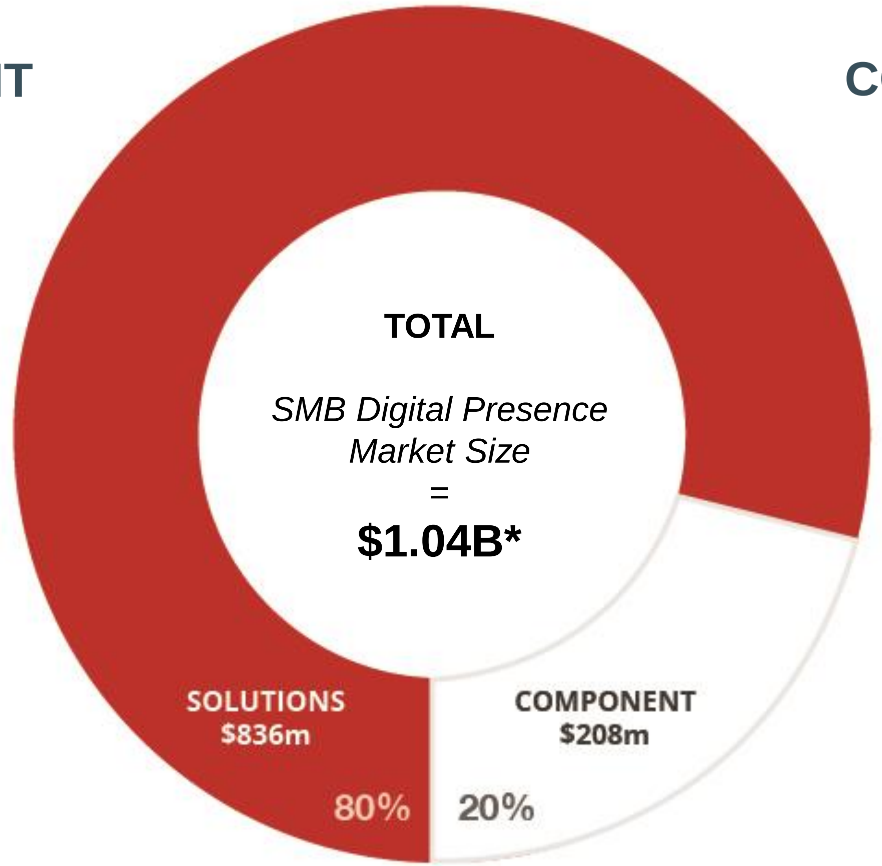
SMB - LONG TERM STRATEGY

SOLUTIONS SEGMENT

- Customers prepared to pay for solutions
- Local support for do-it-for-me proposition
- Highly fragmented market with no major competitor in Australia



COMPONENTS SEGMENT

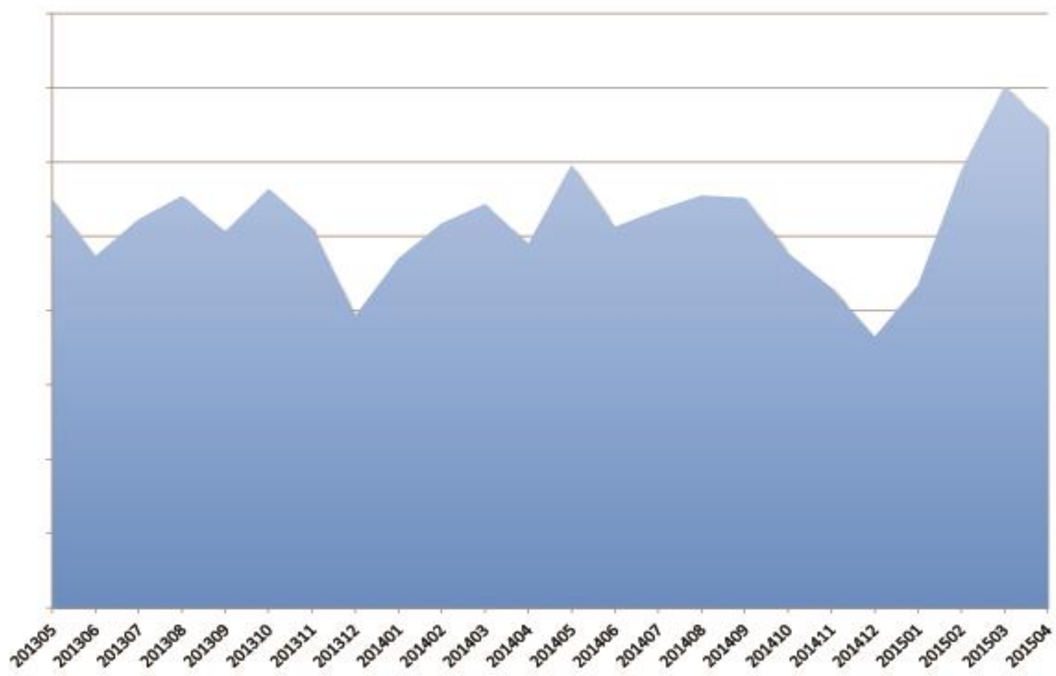
- Domains, web hosting and email are key components for SMBs but account for only 20% of market by value
- MIT No.1 in Australian market but highly competitive with large competitors driving commoditisation

SOLUTIONS
COMPONENTS

*MIT analysis
Market size 2014

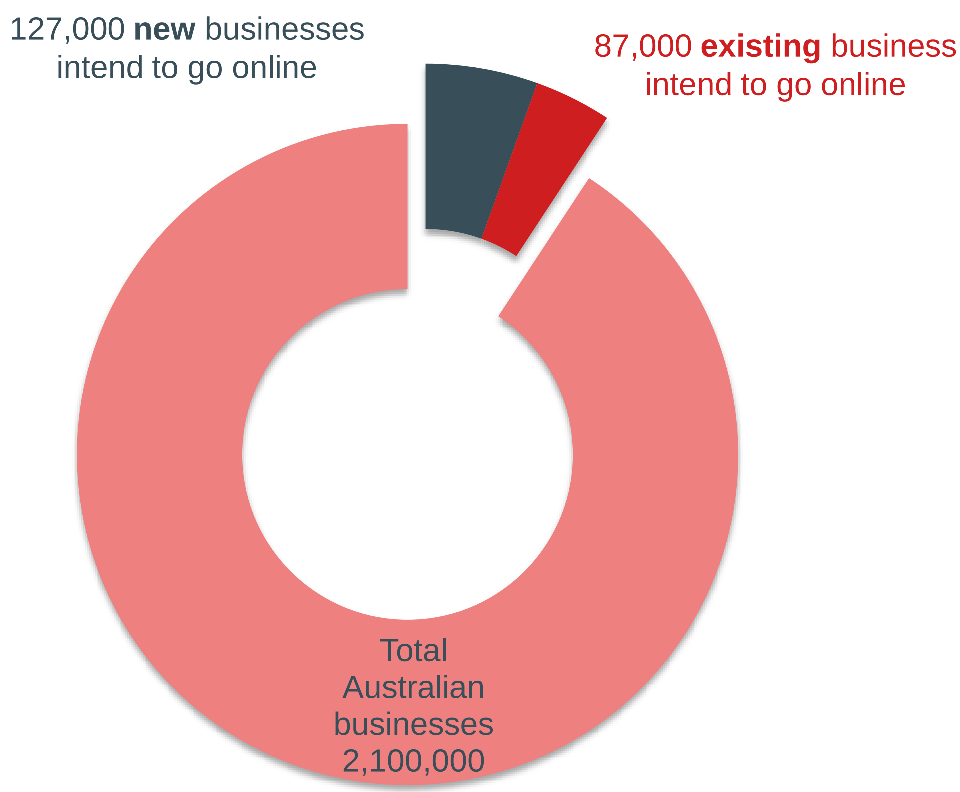
SMB – GROWTH IN THE CORE

NETREGISTRY NEW CUSTOMER ACQUISITION



** December is a seasonal low point in the year*

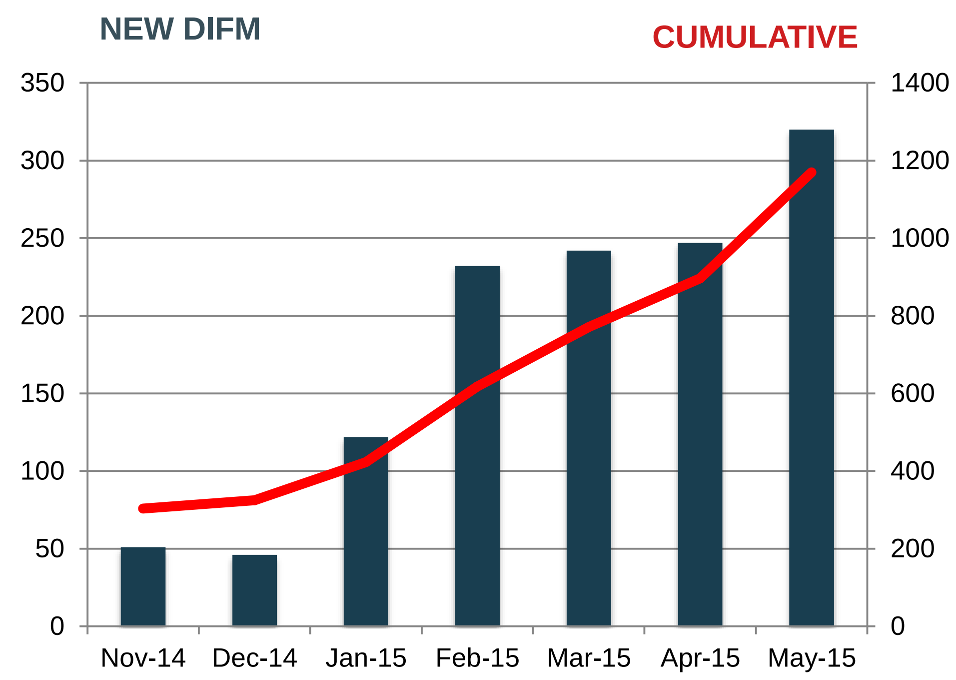
SMB – GROWTH FROM SOLUTIONS



214,000 small businesses intend to build a web presence in the next 12-18 months

** Source: Australian Bureau of Statistics 2014*

DO IT FOR ME WEBSITE UNITS TO DATE



**Expected end of month May figures based on 14th May*

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ENTERPRISE SERVICES

- Focus on solutions that increase agility and innovation rates for organisations
- Large Enterprise and Government customer portfolio
- **Cloud Solutions Practice**
  - Amazon Web Services Premier Partner
  - Data centre migration solutions
  - Security solutions
- **Application Solutions Practice**
  - Software engineering skills
  - Microsoft Gold Partner
  - .Net and Java Skills
- **Proactive** ongoing 24x7x365 managed services
  - DevOps skills
  - Automation and tool kits

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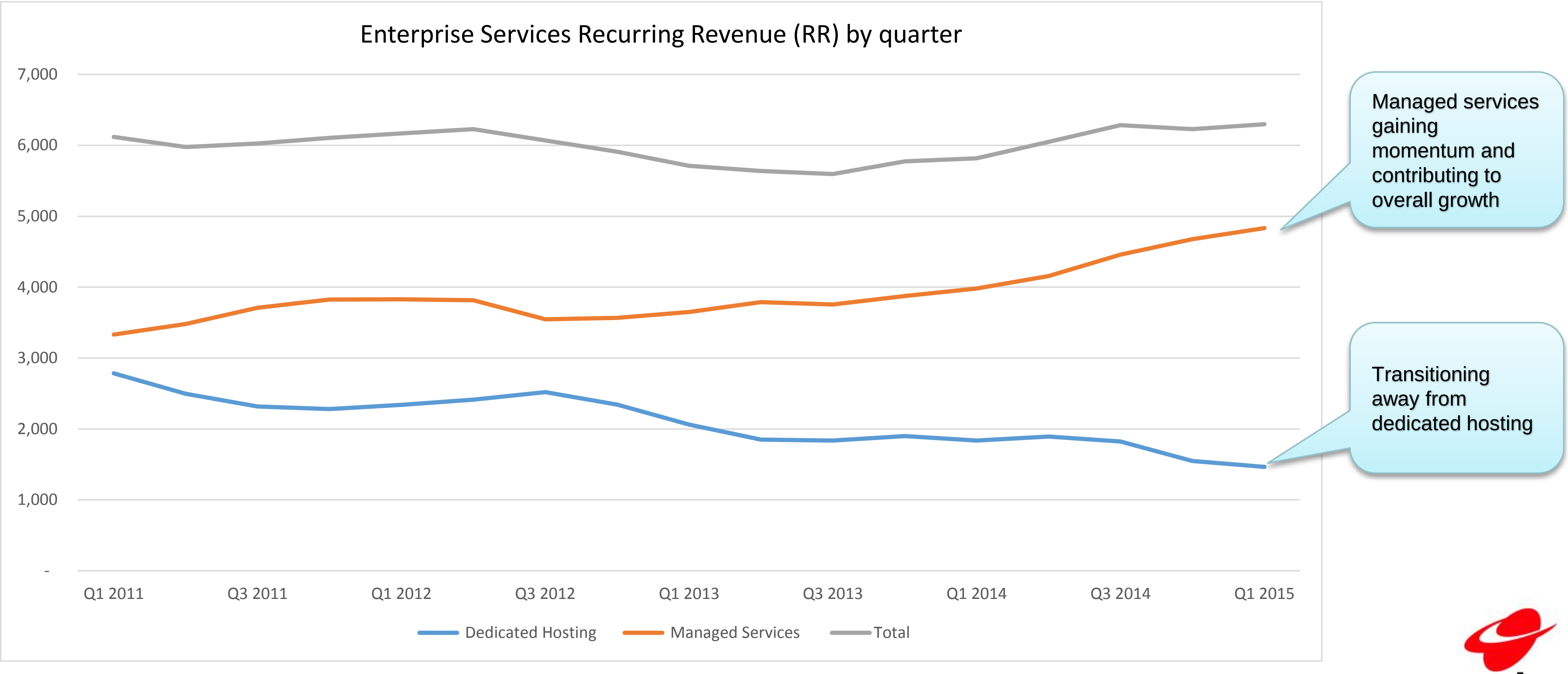
ENTERPRISE SERVICES - RR TRENDS BY PRODUCT

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



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STRATEGIC PRIORITIES & OUTLOOK

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

** Before $1.5m of implementation costs.*

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APPENDIX – FY14 FINANCIALS

YEAR ENDED 31DEC (A$) NOTES	FY14	FY13*	⇳ %	KEY
REVENUE	$124.7M	$103.4M	21%	Strong organic growth from Enterprise Services & acquisitions 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 growth
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.

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FY14 FINANCIALS – **UNDERLYING EBITDA**

YEAR ENDED 31DEC (A$) NOTES	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*

FY14 FINANCIALS – **CASH MOVEMENT**

YEAR ENDED 31DEC (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%	

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FY14 FINANCIALS – **CASH MOVEMENT (CONTINUED)**

YEAR ENDED 31DEC (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)		
ACQUISITIONS OF NETREGISTRY	-$39.7M	$0M
PROCEEDS FROM SALE OF DBS & FTR	$15.3M	$121.9M
OTHER	-$1.3M	$0M
TOTAL INVESTING (EX CAPEX)	-$25.7M	$121.9M

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GROUP PERFORMANCE – FY14 BALANCE SHEET SUMMARY

FY14 YEAR ENDED 31 DEC (A$)	FY14	FY13*	⇕ %	KEY
CASH	$18.1M	$80.5M	-78%	Decrease in cash due to capital return and acquisition of NRG, offset by inflow of escrow payment from the sale of the DBS business.
OTHER CURRENT ASSETS	$21.3M	$37.5M	- 43%	
CURRENT ASSETS	$39.4M	$118.0M	-67%	
NON-CURRENT ASSETS	$134.7M	$80.8M	67%	Increase in goodwill arising from NRG acquisition
TOTAL ASSETS	**$174.1M**	**$198.8M**	**-12%**	
CURRENT LIABILITIES	$44.5M	$37.1M	20%	Increase in income received in advance due to acquisition of NRG
NON-CURRENT LIABILITIES	$14.8M	$13.6M	9%	Increase in income received in advance due to acquisition of NRG
TOTAL LIABILITIES	**$59.3M**	**$50.7M**	**17%**	
EQUITY	$114.8M	$148.1M	-22%	Return of capital $45.2m was offset by issuance of shares for the NRG acquisition $12.1m. 2014 NPAT $0.6m was offset by interim dividend $0.9m

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