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ASX Announcement/Media Release

Melbourne IT (ASX: MLB)

10 June 2015

Melbourne IT acquires a majority shareholding in Outware Systems Pty Ltd

Following is the announcement/media release and presentation to be given at the **Investor Teleconference** to be held at **9:30 am today**.

Below are the teleconference access details:

Dial-In No.:

1800 084 307 (Australia)

International dial-in numbers are available at:
https://www-apac.intercallonline.com/listNumbersByCode.action?confCode=7928955178

Conference Code:

479 563 5635

Media Enquiries: Please contact BENCH PR's Jocelyn Hunter on 0404 194 459.

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ASX Announcement/Media Release

Melbourne IT (ASX: MLB)

10 June 2015

Melbourne IT acquires a majority shareholding in Outware Systems Pty Ltd

Melbourne IT acquires a majority shareholding in Outware Systems Pty Ltd to become the market leader in software enabled cloud solutions in Australia. Outware Systems Pty Ltd, is Australia's leader in the design and development of mobile applications for enterprise and government customers.

- **Melbourne IT acquires 50.2% of privately owned Outware Systems Pty Ltd for $21.7M with put and call options in place to acquire up to 100% of the company over the next two years**
- **Expected to add circa $3.1M of underlying EBITDA pre transaction costs in CY2015**
- **Financially compelling with underlying EPS accretion of approximately 10% in CY2015 and between 20% and 25% for CY2016**
- **Compelling logic and strong strategic fit for the leading enterprise cloud solutions provider, and the leading mobile application developer for enterprises, to join forces to deliver a complete and comprehensive value proposition**
- **Positions Melbourne IT as the leader in one of the fastest-growing segments of the technology industry**
- **Acquisition to be funded via new bank facilities**

The Directors of Melbourne IT Limited (MLB) are pleased to announce today that MLB has entered into a binding agreement to acquire 50.2% of the shares in privately owned Outware Systems Pty Ltd (Outware Mobile) for $21.7M, with put and call options in place to acquire up to 100% of the company over the next two years.

Outware Mobile is the leading mobile application developer for the enterprise and government market

Outware Mobile has built skills and competencies in the rapidly emerging mobile application development market and is a national leader for mobile strategy, user experience and design, and mobile application development.

Founded in 2009, Outware Mobile has enjoyed impressive growth (revenue growing at 70% CAGR in recent years) and has funded its business growth entirely from retained earnings. In the financial year to June 2015, Outware Mobile is forecast to generate revenues of $15.6m and EBITDA of $5.1m.

Outware Mobile has 115 employees with offices in Melbourne and Sydney. Customers include ANZ, Google, Telstra, Coles, NIB and State and Federal Governments.

Founders Danny Gorog, Eytan Lenko and Gideon Kowadlo will remain with the business and continue in their current roles.

Outware Mobile is a strong strategic fit with MLB

The acquisition is firmly in line with MLB's strategy of building its corporate and government business (Enterprise Services) into the leading software enabled cloud solutions provider in Australia.

The Outware Mobile deal sees Enterprise Services gain critical capability in the rapidly growing mobile application development market, and allows it to extend the comprehensive cloud solutions it currently provides its customers.

Both Melbourne IT and Outware Mobile specialise in delivering innovative B2C and B2B solutions that enable organisations to create new business value. Corporate and government organisations continue to invest in transforming key parts of their businesses to digital operations models in order to be more competitive and to bring services and offers to market more rapidly. Software enabled cloud and mobile solutions are fundamental to this transition and as a result these markets continue to grow at strong double digit rates.

Melbourne IT and Outware Mobile already share a number of common customers and see the alignment as a natural step to providing a more coordinated and extensive solution.

In addition to leveraging the existing customer base of both organisations, Melbourne IT and Outware Mobile see the opportunity to accelerate the acquisition of new customers as a result of the expanded breadth of services and comprehensive solutions that can be delivered in a design, build, operate model.

Martin Mercer, Managing Director of MLB said, *"We are delighted the team at Outware Mobile chose to join with MLB. Together we become the leading software enabled cloud solutions provider in Australia. Mobile applications are by their very nature cloud centric in their architecture. This acquisition makes perfect sense. It enables us to deliver a complete and comprehensive service and a compelling value proposition to the market. This acquisition is a strong strategic fit with MLB. It is firmly in line with our growth strategy and is materially earnings accretive".*

Danny Gorog, Director of Outware Mobile said, "*We are excited to join with Melbourne IT and be part of the transformation of one of Australia's most highly respected technology businesses. Mobile plays a critical part in our daily lives and Outware Mobile has a pivotal role in helping some of Australia's leading organisations design and develop successful mobile experiences. This partnership means we will provide both Outware Mobile and MIT customers with a broader range of capabilities and leverage the expertise Melbourne IT have in delivering software enabled cloud solutions."*

The Transaction Summarised

MLB has entered into a binding agreement to acquire 50.2% of the shares in Outware Mobile for $21.7M, with put and call options in place to acquire up to 100% of the company over the next two years.

The founders of Outware Mobile and MLB have put and call options respectively over the remaining shares in Outware Mobile. These options can be exercised in a window following the first and second anniversaries of the completion of the transaction. Each of the second and third tranches is for 24.9% of the issued capital of Outware Mobile.

Total transaction consideration (ie assuming MLB moves to 100% ownership of Outware Mobile) is expected to be approximately $67M, implying a forward EBITDA multiple of 8.6 times. The actual consideration for tranches 2 and 3 depends on the financial performance of Outware Mobile over the next two years.

Outware Mobile is expected to contribute approximately $3.1M to MLB's EBITDA in CY2015. The transaction is materially accretive. On a statutory basis EPS for CY2015 will be negatively impacted, however underlying EPS accretion is expected to be approximately 10%. In CY2016, it is expected to be accretive for both statutory EPS (5%-10%) and underlying EPS (20%-25%).

The transaction is expected to complete on 16 June 2015. On completion, MLB expects to have around $22m of net debt.

Transaction Funding

The expected transaction consideration will be funded entirely from debt. Melbourne IT has negotiated a new bank facility with the ANZ that is sufficient to meet its working capital requirements and its anticipated obligations in respect the initial 50.2% tranche, and the subsequent two 24.9% tranches.

An Integrated Operating Model

Melbourne IT has successfully transitioned from Australia's premier web hosting business in the early-to-mid 2000's to one of the largest cloud solutions providers in Australia. While primarily an annuity business, Melbourne IT has built a cloud consulting practice that designs solutions based on cloud infrastructure and data centre migration solutions, and an applications practice focussing on data and application integration services.

Outware Mobile will retain its branding, management and strategic plan as part of the Melbourne IT Group while operating as the Mobile Application Development practice within Enterprise Services, alongside the existing Web & Digital Application and Cloud Solutions practices.

MLB will offer integrated management services and additional account management support across Outware Mobile solutions, while Outware Mobile capabilities will be offered to existing Melbourne IT customers and new prospects to ensure the most effective solutions are delivered.

The Outware Mobile deal follows the recently announced partnership between Enterprise Services and US based 2nd Watch to deliver a range of data centre migration services to the cloud in Australia and New Zealand to increase innovation rates and agility for enterprise and government organisations.

Media Enquiries

To arrange interviews, please contact BENCH PR's Jocelyn Hunter on 0404 194 459.

About Melbourne IT

Melbourne IT Group is a publicly listed company with offices in Melbourne, Sydney, Brisbane, Wellington, Auckland and Canberra. Melbourne IT's purpose is to "Enable Online Success" and its vision is to be the dominant brand in Australia and New Zealand for cloud and mobile solutions. Melbourne IT has approximately 330 staff and operates two businesses marketed under 5 brands.

The Small and Medium Business Division (SMB) is Australia's largest domain and hosting business with revenues of approximately $120m and 210 staff. The SMB business operates under the Melbourne IT, WebCentral and Netregistry brands and wholesale brand TPP.

The Enterprise Services Business (ES) is Australia's leading cloud enabled software and services business with revenues of $30m and 90 staff. ES is based in Sydney, Melbourne and Brisbane and has a blue chip customer base.

www.melbourneit.com.au

About Outware Mobile

Outware Mobile are Australia's leader in the development of mobile applications, the fastest-growing area of the IT market. Outware Mobile's vision is to make a difference through the creation of mobile experiences that are intuitive, effective and engaging.

The Outware Mobile team have highly sought-after skills and competencies in mobile strategy, user experience interaction and design, and mobile application software engineering. They are highly-awarded for the quality of their work and the pace of their growth.

Outware Mobile's collaborative culture and strong process allows them to efficiently deliver innovative mobile experiences to the enterprise and government sectors on-time and on-budget.

Outware Mobile's blue chip customer base includes ANZ, Google, Telstra, Coles, NIB and State and Federal Governments. Most Australian smartphones have an app developed by Outware Mobile installed.

Outware Mobile has 115 employees with offices in Melbourne and Sydney.

www.outware.com.au

10 JUNE 2015

Melbourne IT & Outware Mobile

Investor Presentation

TRANSACTION HIGHLIGHTS: OVERVIEW

Transaction Summary

- Melbourne IT (MLB) will acquire a 50.2% shareholding in Outware Systems Pty Ltd (Outware Mobile) with two subsequent options enabling MLB to move to 100% over 2 years.
- Outware Mobile is expected to generate revenues of $15.6M and EBITDA of $5.1m for the year to 30 June 2015:
  - strong growth record ~ 70% CAGR revenue growth in recent years
- Total transaction consideration[1] expected to be approx $67m[2] on an implied forward EBITDA multiple of 8.6x:
  - upfront consideration (tranche 1) of $21.7M for 50.2%
  - consideration for tranches 2 & 3 dependent on performance – anticipated combined consideration of $45.3m
- Acquisition will be funded 100% by debt:
  - new facility[3] from ANZ sufficient to cover working capital requirements and anticipated transaction consideration
  - forecast peak debt of $52m in H2 2017
- Outware Mobile founders to remain with the business in current leadership roles.

Impact on MLB

- MLB will become the market leader in software enabled cloud solutions in Australia.
- Compelling logic and strong strategic fit:
  - MLB Enterprise Services (ES) provides managed cloud solutions that increase innovation rates and agility for large enterprise and government organisations
  - Outware Mobile is the the leading mobile application developer for the enterprise and government market
  - combination of ES and Outware Mobile delivers a complete and comprehensive customer value proposition
  - investment delivers significant benefits through scale and scope in ES
- Expected to add ~ $3.1M to MLB's underlying EBITDA in CY2015[4]
- The transaction is expected to be materially accretive:
  - expected accretion in underlying EPS of approximately 10% in CY2015
  - expected accretion in both statutory and underlying EPS in CY2016, with underlying EPS expected to be up 20% to 25%
- The transaction is not expected to impact MLB's ability to pay dividends

1. assumes that all put/call options are exercised
2. prior to transaction costs of ~$1.7M
3. total facilities of $83.6m, 3.5 year term
4. prior to transaction costs of ~$1.7M

A STRONG STRATEGIC FIT:
OUTWARE MOBILE AND MELBOURNE IT

1. **Firmly in line** with MLB's announced strategy of building its corporate and government business (Enterprise Services) into the leading software enabled cloud solutions provider

2. **Strengthened competitive position** when acquiring new customers and expanding services into existing customers

3. **MLB gains critical capability** in the rapidly growing mobile applications development market, extending the comprehensive cloud solutions it currently provides its customers

4. **Partnership is a natural step** for MLB & Outware Mobile to providing a more coordinated and comprehensive solution for their customers

5. **Creates an opportunity** to accelerate the acquisition of new customers as a result of the expanded breadth of services and comprehensive solutions

Creates strong platform for growth in one of the fastest growing sectors of the technology industry.

MELBOURNE IT GROUP

OUTWARE MOBILE: FACTS AND FIGURES

1. **Founded in 2009** Outware Mobile is the leading mobile application developer for the enterprise and government market
    - skills and competencies in the rapidly emerging mobile application development market
    - national leader for mobile strategy, user experience and design, and mobile application development.
    - recurring revenues, low customer churn, track record of successfully expanding customer base

2. **115 employees** with offices in Melbourne and Sydney

3. **Impressive history of growth,** revenue growing at 70% CAGR in recent years

4. **Expected** to generate **revenue of $15.6M** & **EBITDA of $5.1M** in financial year to June 2015

5. **Founders** Danny Gorog, Eytan Lenko & Gideon Kowadlo **will continue to lead** the Outware Mobile business after the acquisition

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Deloitte. Technology Fast50 Australia 2014

BRW FAST100 2014

CRN FAST50 2014

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

QUALITY & SECURITY ACCREDITATIONS

A WINNING COMBINATION:
ENTERPRISE SERVICES & OUTWARE MOBILE

Outware Mobile

Opportunities include Services updates & App ever-greening.

Managed Services

Managed services
Service management, performance reporting, triage, service updates

Continue to engage customers & drive growth BAU.

Outware Mobile | Digital & Bespoke Apps | Cloud Solutions

Practices
- Acquire new customers
- Consulting, design and architecture
- Project Delivery
- New capability development

Outware Mobile & MLB joint marketing initiatives

Marketing

Go to Market
- Market development
- Marketing and promotion.

Will leverage MLB account management capabilities.

Account Management

Account Management
- Large account coverage & management
- Cross sell and upsell opportunities.
- Ongoing relationship management.

Key:

Outware Mobile business

Existing MLB ES business

MELBOURNE IT GROUP

THE AUSTRALIAN ENTERPRISE MOBILE APPLICATION (EMA) MARKET

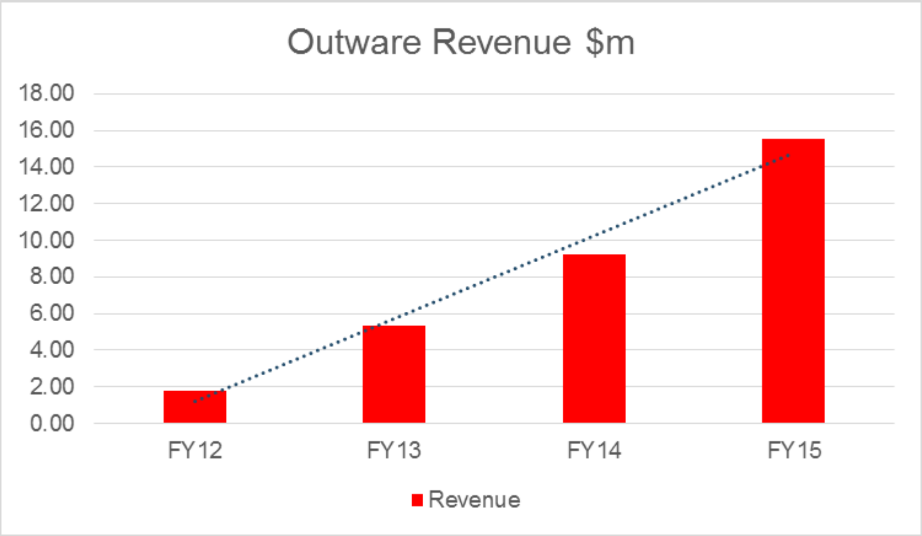
5 key themes shape the future growth

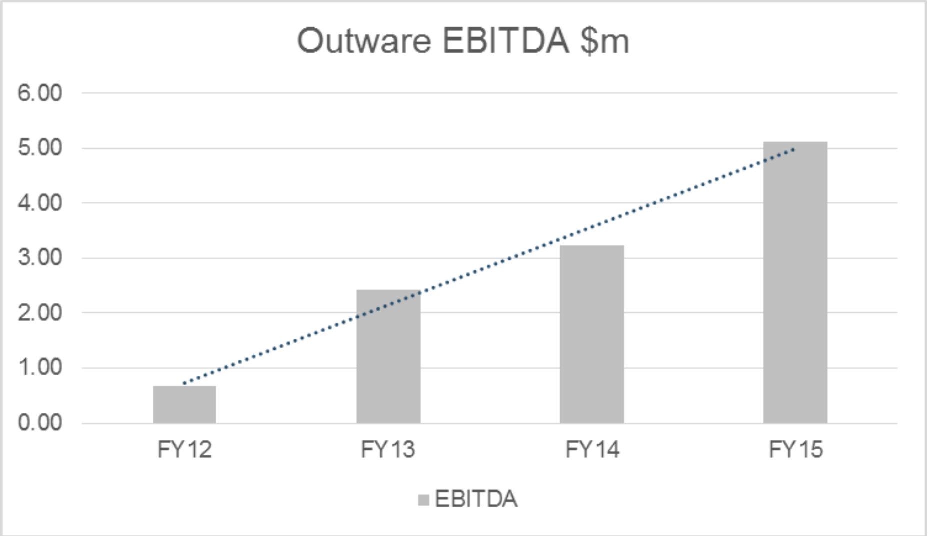
		OVERVIEW
1	Accelerating and expanding EMA take up across sectors	Analysis concludes that take up of EMAs will continue to increase across all aspects (B2C, B2B, external, internal).
2	Rise in importance of CX and EMA's role in delivering this	Forecast expansion in how enterprises link EMA with driving better customer experiences.
3	Emergence of 'next wave' EMA applications & focus	EMA providers who can innovate & keep at the forefront will be most valued as business partners and are expected, by buyers, to be the winners in terms of securing greater business across the coming years.
4	Enterprise digital strategy evolution	Mobile applications are likely to proliferate within Enterprises. While consolidation of applications will likely occur in the future the overall demand for applications, and the refresh of existing applications will see the overall market grow strongly.
5	EMA insourcing vs. outsourcing	Enterprises will continue to look for external assistance to continually improve and upgrade EMAs, particularly where it is a key part of their overall CX. Fragmented market provides opportunity for EMA market leader for Enterprise.

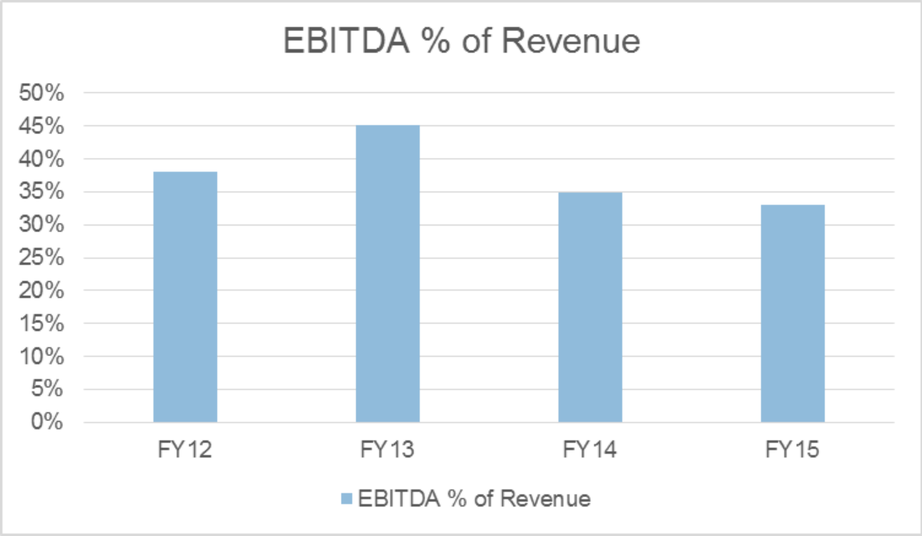
The EMA market in Australia is worth c.$550-700M p.a. It is forecast to increase by 50% over the coming 3-5 years.

Melbourne IT Commissioned Market Research, Enterprise Mobile Application Market Size, Growth and Competitive Intensity, April/May 2015

OUTWARE MOBILE FINANCIAL PERFORMANCE







- **Low CAPEX** business model with strong free cash flow & no debt
- **Business is built for growth** with scalable and robust systems and processes
- **Proven ability** to acquire and retain quality staff and experienced management team

MELBOURNE IT GROUP

MLB: DELIVERING ON ITS STRATEGY

Strategic Execution Accelerating.
Well Placed to Drive Growth,
Profitability, and Value for Shareholders.

MELBOURNE IT GROUP

THANK YOU

Melbourne IT & Outware Mobile

Investor Presentation