Melbourne IT
Investor Presentation

16 March 2016

Overview

MELBOURNE IT GROUP

1 MLB is undertaking **3 significant transactions:**

- The purchase of InfoReady – a leading data and analytics provider to the enterprise and government market – for $15.4M[1]
- The sale of its International Domain Names Business for $8.1M to $8.5M[1] (depending on AUD/USD exchange rate), and
- An Underwritten Placement of $15.0M at a floor price of $1.90 per share to fund the balance of the purchase consideration for InfoReady and to strengthen its balance sheet

2 Combination is **earnings accretive**:

- Underlying EPS is neutral in FY16 and up 7% in FY17

3 Positive impact on **FY16 guidance**;

- Statutory EBITDA up $3M to between $26M and $28M
- Underlying EBITDA up $1.7M to between $28M and $30M

4 Strategic **capital allocation**;

- Recycling capital from a declining non-core business into a strongly growing core business

5 Positive impact on **balance sheet**;

- Peak debt forecast to be $46M in H2 CY2017 ($9M less than previously forecast)

Building a stronger business with higher growth potential and better quality earnings

1. prior to transaction costs

FY16 Guidance: statutory EBITDA bridge

Year Ended 31 December 2016		NOTES
FY16 EBITDA	**$24m**	Midpoint of the guidance range for statutory EBITDA per the February 24 results announcement.
Adjustments to calculate revised EBITDA		
1. Foregone EBITDA	($1.6m)	9 months of foregone EBITDA arising from sale of International Domain Names business[1]
2. Acquired EBITDA	$2.8m	9 months of additional EBITDA arising from the acquisition of InfoReady[2]
3. Transaction Costs	($0.9m)	Transaction costs associated with the sale of the International Domain Names business and the acquisition of InfoReady
4. InfoReady earnout	($0.14m)	Accrual for first earnout payment (for the period 1 April 2016 to 31 March 2017)
5. Profit on sale	$2.9m	Profit on sale of International Domain Names business
Revised FY16 EBITDA	**$27.1m**	Midpoint of the revised guidance range for FY16 statutory EBITDA

1. Expected completion date for sale of International Domain Names business is 30 April 2016 (subject to satisfying conditions precedent)
2. Expected completion date for the purchase of InfoReady is 31 March 2016 (subject to satisfying conditions precedent)

Please note: Figures on this page reflect managements best estimate and have not been audited. They may not be exact due to rounding and include non-IFRS financial information that is relevant for users understanding the underlying performance.

FY16 Guidance: underlying EBITDA bridge

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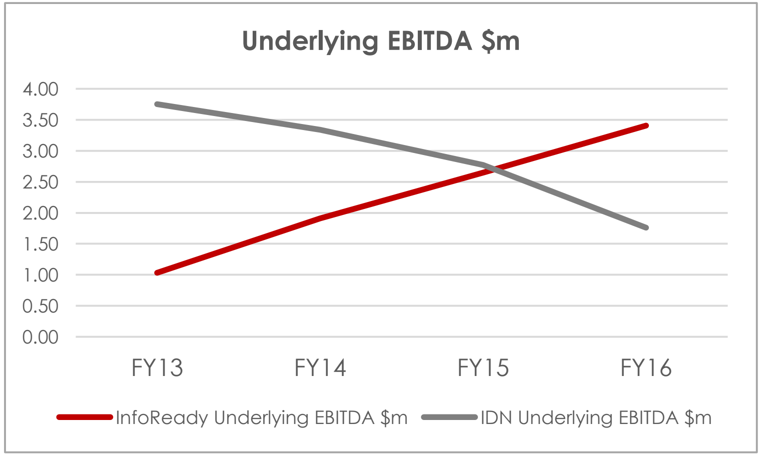
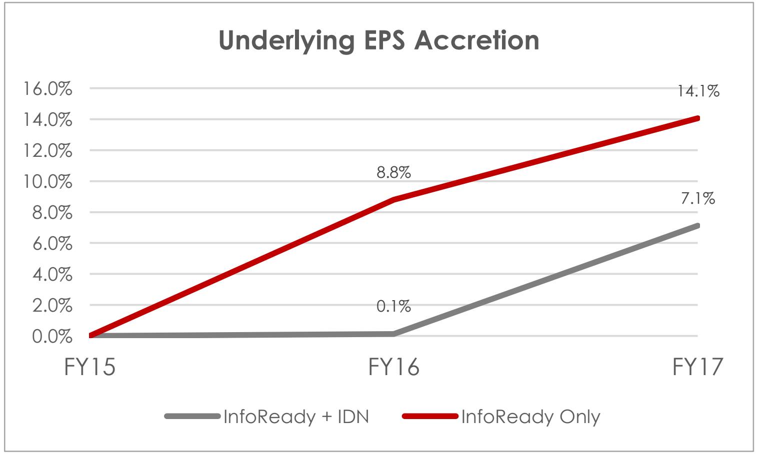
Year Ended 31 December 2016		NOTES
FY16 Underlying EBITDA	**$27.3m**	Midpoint of the guidance range for FY16 underlying EBITDA per the results announcement on 24 February 2016.
Adjustments to calculate revised underlying EBITDA		
1. Foregone EBITDA	($1.8m)	Full year of foregone EBITDA contribution from the International Domain Names business*
2. Acquired EBITDA	$3,4m	Full year of EBITDA contribution from InfoReady*
Revised Underlying EBITDA FY16	**$28.9m**	Midpoint of revised guidance range - after reversing the impact of material one-off items and as if all acquired and sold businesses are owned for the full year

*as if all acquired and sold businesses were owned since 1 Jan 16

Please note: Figures on this page reflect managements best estimate and have not been audited. They may not be exact due to rounding and include non-IFRS financial information that is relevant for users understanding the underlying performance.

EPS Accretion: replacing a declining business with a growing business drives expanding EPS





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Melbourne IT Acquires InfoReady

16 March 2016

Transaction Highlights: overview

Transaction Summary

- Melbourne IT (MLB) will acquire a 100% shareholding in InfoReady.
- InfoReady is forecast to generate underlying EBITDA of $3.4M for the year to 31 December 2016:
  - strong growth record - underlying EBITDA ~ 60% CAGR (FY13-FY15)
- Total transaction consideration of $15.4M[1] on an implied EBITDA multiple of 4.5x CY 2016 EBITDA:
  - plus 3 subsequent earn-out payments dependent on performance
- Acquisition will be funded from a combination of the proceeds from the sale of MLB's International Domain Names Business ($8.1M - $8.5M) with the balance funded from the proceeds from the placement of new equity
- InfoReady directors to remain with the business.

Impact on MLB

- MLB will strengthen its position as the Australian market leader in managed digital solutions for enterprise and government customers.
- Compelling logic and strong strategic fit:
  - MLB Enterprise Services (ES) provides managed digital solutions that increase innovation rates and agility for large enterprise and government organisations
  - InfoReady is a leading data and analytics provider for the enterprise and government market
  - combination of ES and InfoReady delivers a complete and comprehensive customer value proposition
  - investment delivers significant benefits through scale and scope in ES
- Expected to add ~ $3.4M to MLB's underlying[2] EBITDA in CY2016[1]
- Dividend guidance unaffected (ie payout ratio of 55%-75% reaffirmed)

1. prior to transaction costs of ~$0.8M
2. ie as if InfoReady had been owned since 1 January 2016

A Strong Strategic Fit: InfoReady and Melbourne IT

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1. **Firmly in line** with MLB's announced strategy of building its corporate and government business (Enterprise Services) into the leading digital solutions partner for large enterprise and government organisations
2. **Strong competitive position** when acquiring new customers and expanding services to existing customers via the ability to deliver end to end digital solutions
3. **MLB gains critical capability** in the data and analytics market
4. **Completeness of solution** - data analytics in combination with cloud, mobile, security and cloud enabled application development capabilities enables complete end to end digital solutions
5. **Creates opportunities** to cross-sell, and enables MLB to drive new annuity revenues from supporting managed services

MLB can now offer end-to-end digital solutions

ES

InfoReady: facts and figures

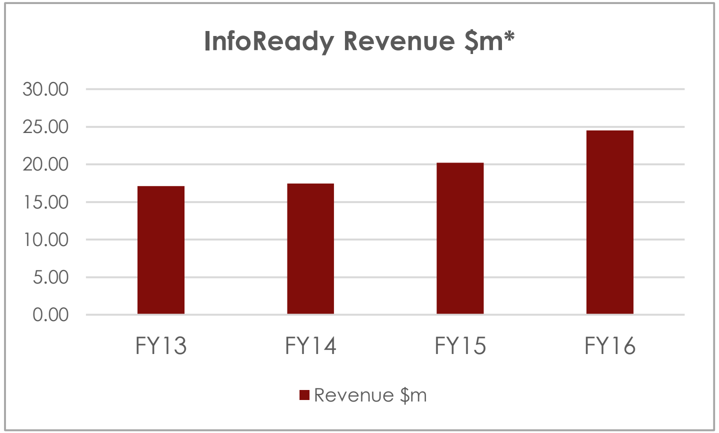
1. **Founded in 2008** InfoReady is a leading data and analytics provider for the enterprise and government market
    - skills and competencies in the rapidly growing data and analytics market
    - expertise in designing and implementing data platforms, combining and managing data and analysing data to provide meaningful and actionable insights.
    - has experienced exceptional growth through ongoing success in data and analytics implementation for many of Australia's leading organisations.
    - ongoing revenue, low customer churn, track record of successfully expanding customer base
2. **88 employees** with offices in Melbourne, Sydney and Brisbane
3. **Impressive history of growth**, underlying EBITDA growing at ~60% CAGR in recent years, and many industry awards including;
4. **Directors** Justin Parcell and Cameron Boog will **continue to lead** the InfoReady business, while Founder and Managing Director Tristan Sternson will take on a senior leadership role in MLB's Enterprise Services Division

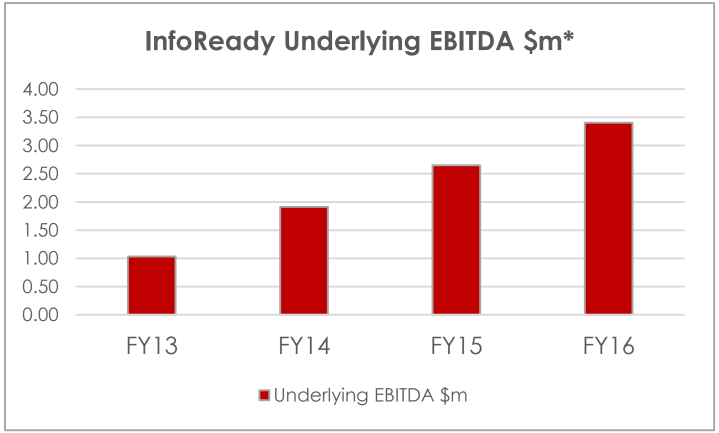
InfoReady: diversified revenue contribution

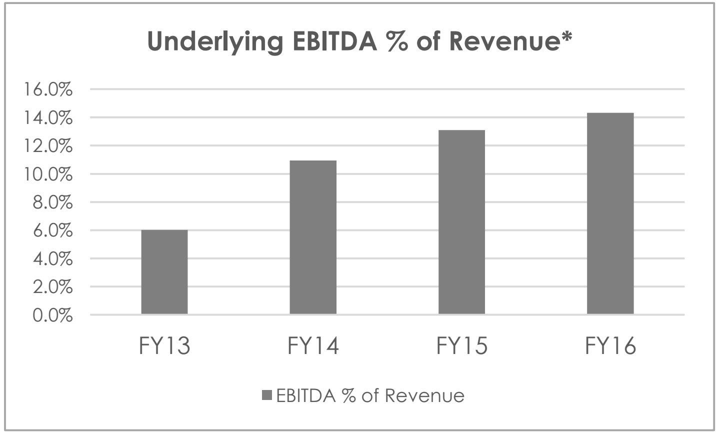
Diversified Revenue Contribution From Clients

New customer contracts signed in Q1 2016, strong pipeline of opportunities and increased diversification

InfoReady: 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
- **Low customer concentration** and a portfolio of marquee brands
- Primarily project and professional services revenues

* Results are years ended 31 December.

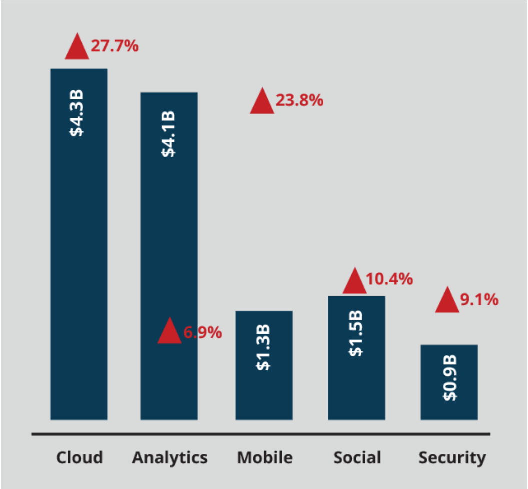
Digital Solutions: an attractive and strongly growing market

Large market opportunity with strong growth when combined with complementary digital technologies

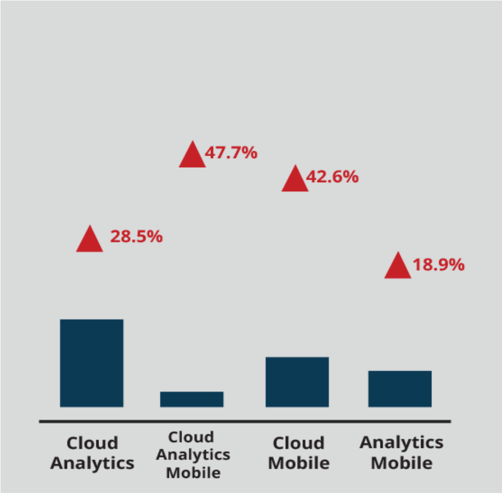
Foundation Digital Technologies (CAMSS)

Cloud	Analytics	Mobile	Social	Security

CAMSS Market Size & Growth Rates 2015



CAMSS Intersections Opportunity 2015



Key: ▲ Annual Growth Rate 2015

Source: IBM 2015

- Good growth in all enterprise **digital solutions**
- Customers increasingly looking for **bundled solutions**
- Bundled solutions enjoying **very strong growth**
  - InfoReady founders understand this
  - Outware founders understood this
- "**Completeness of solution**" will drive significant growth for ES

Comprehensive Digital Solutions: Enterprise Services & InfoReady

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InfoReady

Integrate InfoReady and MLB account management for completeness of solution

Integrate InfoReady and MLB marketing for improved cut through and value communication

Retain expertise in practices. InfoReady completes digital offerings

Combining analytics and cloud delivers next generation data management solutions. Performance measurement and targeted action.

Relationship Management

Marketing

Data & Analytics | Outware Mobile | Digital & Apps | Cloud Solutions

Managed Services

Relationship Management
- Enterprise Account Management
- Continually identify new opportunities for clients
- Bring together cohesive solution offerings

Go to Market
- Market development
- Marketing and promotion

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

Managed Services
Continuous change / Continuous Deployment, application ever greening, service and performance management

Key: InfoReady Design & Delivery — Existing MLB ES business

ES

Enterprise Services Customers: marquee brands and substantial cross-selling opportunities

Melbourne IT
Selling International Domain Name Business

16 March 2016

Transaction Highlights: overview

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SMB

Transaction Summary

- Melbourne IT (MLB) has sold its International Domain Name Resale Business.
- Total transaction consideration is $8.1M to $8.5M[1] (depending on AUD/USD exchange rate) :
  - payable on completion (10% in escrow until 95% of customers are migrated)
  - represents an implied sale multiple of ~4.5x to 4.7x FY2016 underlying EBITDA
- Strong strategic rationale:
  - recycle capital from a declining non-core business into a growing core business
  - eliminate a persistent drag on the SMB P&L and improve the overall quality of earnings in SMB
  - simplifies the SMB business

Impact on MLB

- Expected to subtract ~ $14.7M from MLB's revenue in CY2016
- Expected to subtract ~ $1.8M from MLB's underlying EBITDA in CY2016[2]
- Once off profit on sale ~ $2.9M

1. prior to transaction costs of ~$0.2M
2. prior to transaction costs of ~$0.2M

International Domain Name Business: facts and figures

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SMB

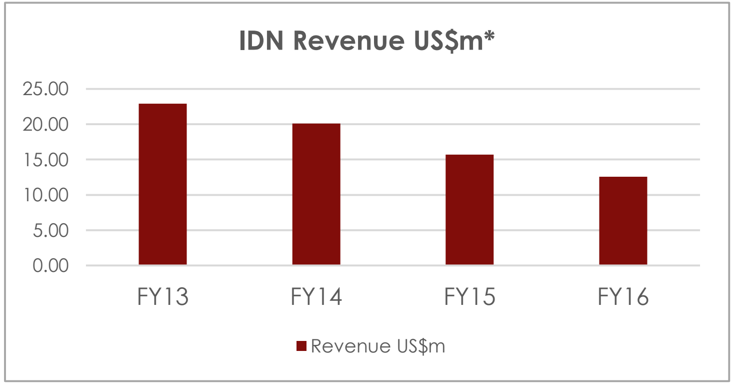
1 History

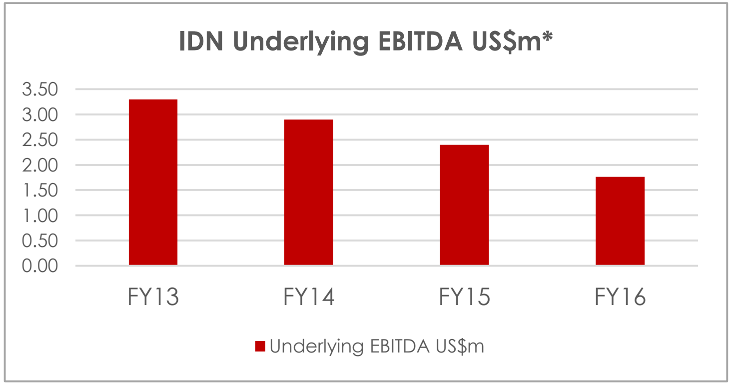
- Melbourne IT was one of the first 5 global registrars for .com in Apr 1999
- Developed an automated domain name registration platform in 1999/2000 for high volume registrations from large Internet companies
- Average life span of top 10 resellers is 10+ years

2 Current operations

- 250+ active global resellers
- Resellers in USA, UK, Japan, India, Canada, Italy, France, Germany, China
- 1.9 million domain names under management
- Domains spaces supported include .com, .net, .org, .uk, .au, .nz, .de, ,fr, .se, .ca, .eu, .biz, .info, and .name

International Domain Name Business: financials





- **Low margin** revenue **(~14% - 15%)**
- Business has been in **persistent decline**
- A **non-core business** that has been a drag on overall SMB performance

* Results are expressed in US$ to better convey the underlying performance of this business.

SMB

MLB: Delivering On Its Strategy

- ✓ Transformation of Enterprise Services
- ✓ Accelerating Higher Quality Earnings in SMB
- ✓ Operational and Financial Strength

Melbourne IT
Capital Raising Details

16 March 2016

Capital raising: overview

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Underwritten Placement

- $15m Underwritten Placement to Professional & Sophisticated investors
- Underwritten by Bell Potter Securities at a floor price of $1.90 per share
- Variable price bookbuild to be conducted at increments of $1.92, $1.94, $1.96, $1.98, & $2.00
- Proceeds used to fund the purchase of InfoReady and to strengthen the balance sheet
- Placement shares will rank pari passu with current fully paid ordinary shares

Dividend

- Placement shares will be eligible for the final 4c dividend – record date 8 April 2016
- Company may consider underwriting its DRP in respect of the final dividend

Capital raising: timetable

Event	Date
Trading halt Investor presentation released	16 March 2016
Book build opens	16 March 2016 at 10.00am
Book build closes	16 March 2016 at 5.00pm
Announce results of bookbuild Trading halt lifted	18 March 2016
Settlement of placement	23 March 2016
Placement shares allotted and commence trading	24 March 2016