

ASX Announcement

Melbourne IT (ASX: MLB)

11 May 2016

GOLDMAN SACHS SEVENTH ANNUAL SMALL AND 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 Seventh Annual Small and Mid-Cap Conference today in Sydney.

Edelvine Rigato
Company Secretary
E: edelvine.rigato@melbourneit.com.au
T: +61 2 9215 6164
M: +61 400 830 992

ENDS

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 "Fuel our customers' success through the smart use of technology". By 2020 we aim to have fuelled the success of over one million businesses. Our customers will love us, our people will be our most passionate advocates, and our investors will be rewarded.

Melbourne IT has approximately 450 staff and operates two businesses marketed under 6 brands.

The Small and Medium Business Division (SMB) is Australia's largest domains and hosting business with revenues of approximately \$110m and 210 staff. The SMB business operates under the Melbourne IT, WebCentral, Netregistry and TPP brands.

The Enterprise Services Business (ES) is Australia's leading cloud enabled software and services business with revenues of approximately \$40m and 200 staff. ES is based in Sydney, Melbourne and Brisbane and has a blue chip customer base. It operates under three brands, Melbourne IT, InfoReady and Outware Systems.

Visit: www.melbourneit.com.au



Transforming Melbourne IT

Goldman Sachs Small & Mid Cap Conference

May 2016

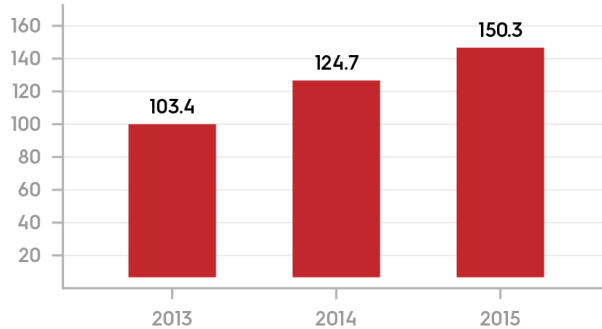


Vision and Strategy

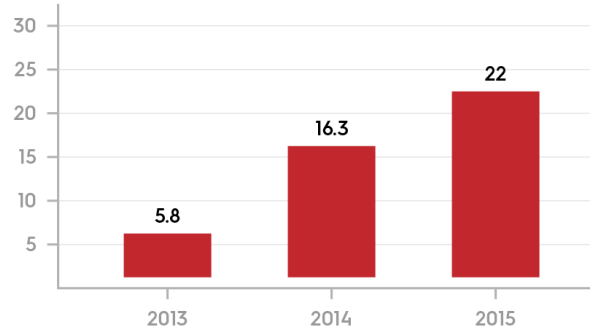
- The Internet is **revolutionising** the way business is done.
- Everything MLB does **fuels our customers' success**.
- We are the designers, the engineers and the operators of the **smartest solutions**.
- Transforming MLB into a growing **solutions led business** with higher quality earnings.
- We are focussed on delivering strong free cash flows and enhancing **returns** to shareholders.

Our Turnaround is Gathering Momentum

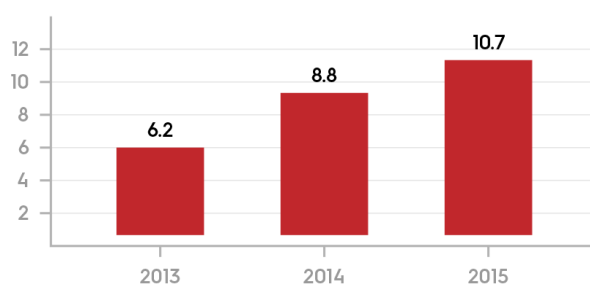
Group Revenue (\$m)



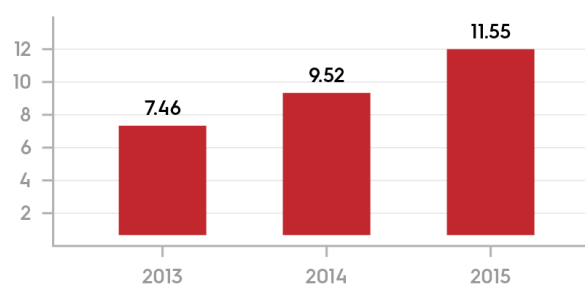
Underlying EBITDA (\$m)



Underlying NPAT (\$m)

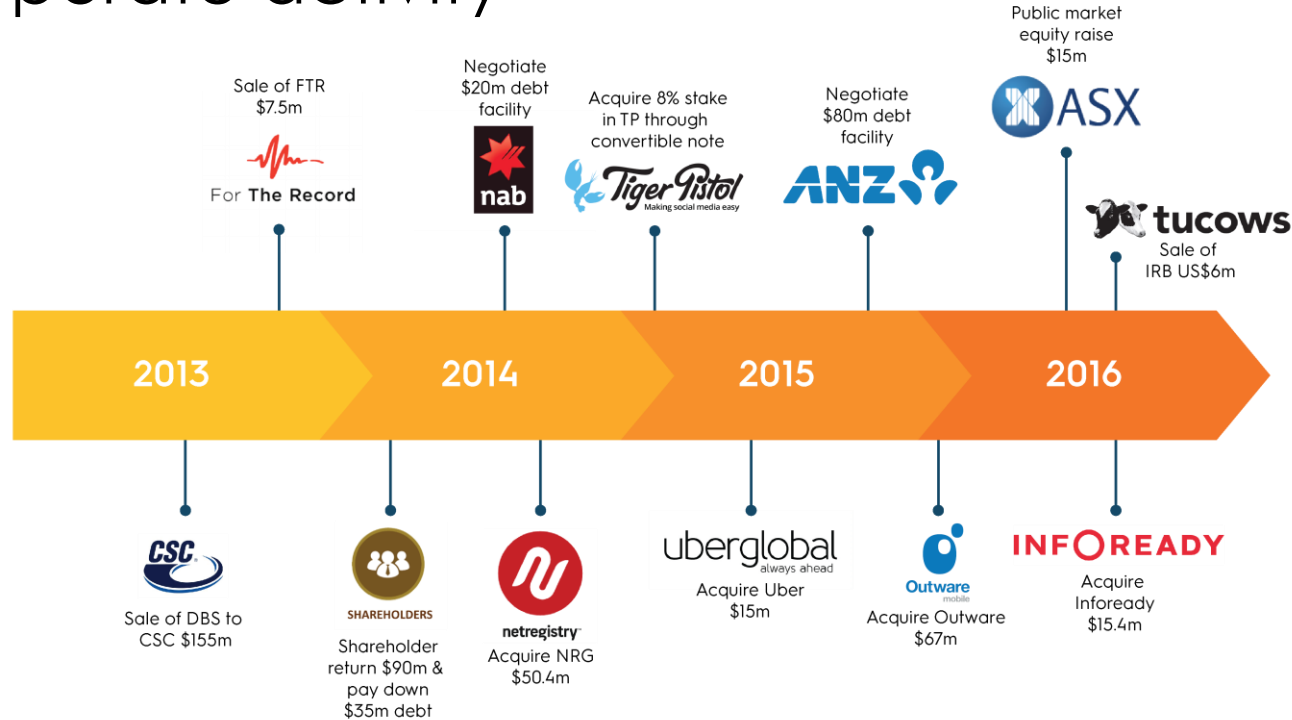


Underlying EPS (cents)



*Underlying figures have excluded transaction costs, synergy costs, 2015 warranty provision write back, 2015 unwinding of discount on other financial liabilities, 2014 impairment charge, and includes the full year impact of acquisitions made during the respective years and profit after tax attributable to non-controlling interest in Outware.

Reshaping the Business: 3 years of corporate activity

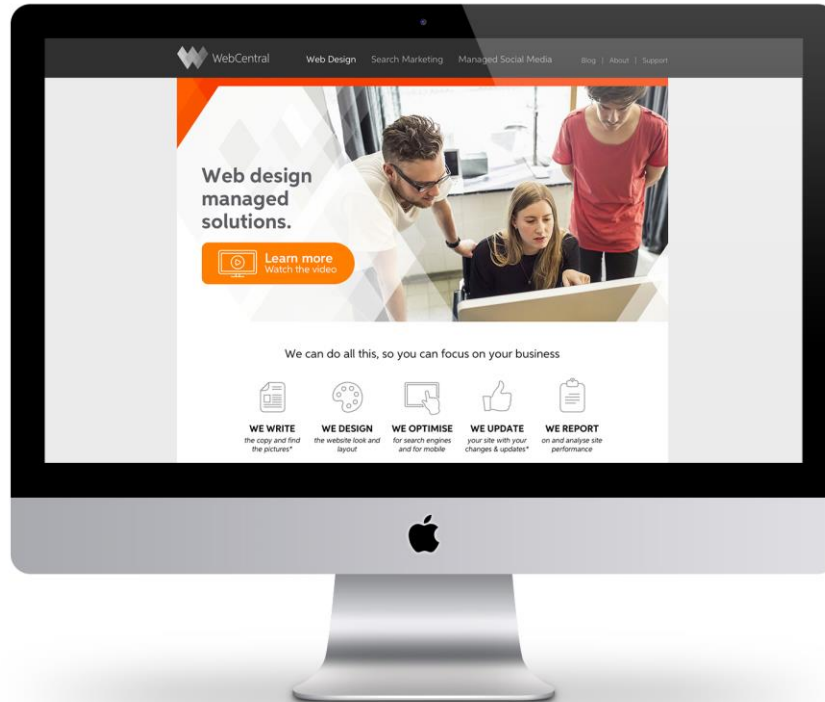


Purpose and Vision

Fuelling our customers' success
through the smart use of technology.

By 2020 we will have fuelled the success of over a million businesses. Our customers will love us, our people will be our most passionate advocates, and our investors will be rewarded.

Growth Drivers – SMB

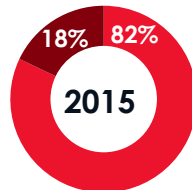
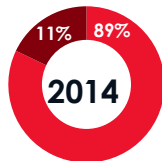


SMB

SMB: facts and figures

SMB

- 1 **More than 300 employees** with offices in Melbourne, Sydney, Brisbane and Canberra
- 2 **Largest Australian** domain name and web hosting provider, with more than 40% market share
- 3 We have helped fuel the success of **more than 600,000 Australian SMB customers**
- 4 **A portfolio of SMB brands:**
   
- 5 **Growing web solutions business** – the key to revenue growth and value creation



18% Solutions Revenue – managed marketing services comprising web design and digital marketing

82% Components Revenue – domain names, web hosting and email

SMB Long Term Strategy

SOLUTIONS SEGMENT

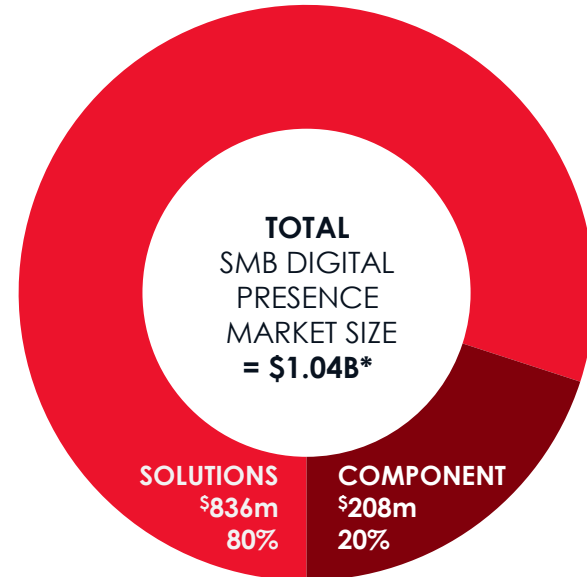
- Customers prepared to pay for solutions that meet a need or solve a problem
- Local support and Do-It-For-Me proposition
- Highly fragmented market with no major competitor in Australia
- Average ARPU \$100-\$400pm

80%

COMPONENT SEGMENT

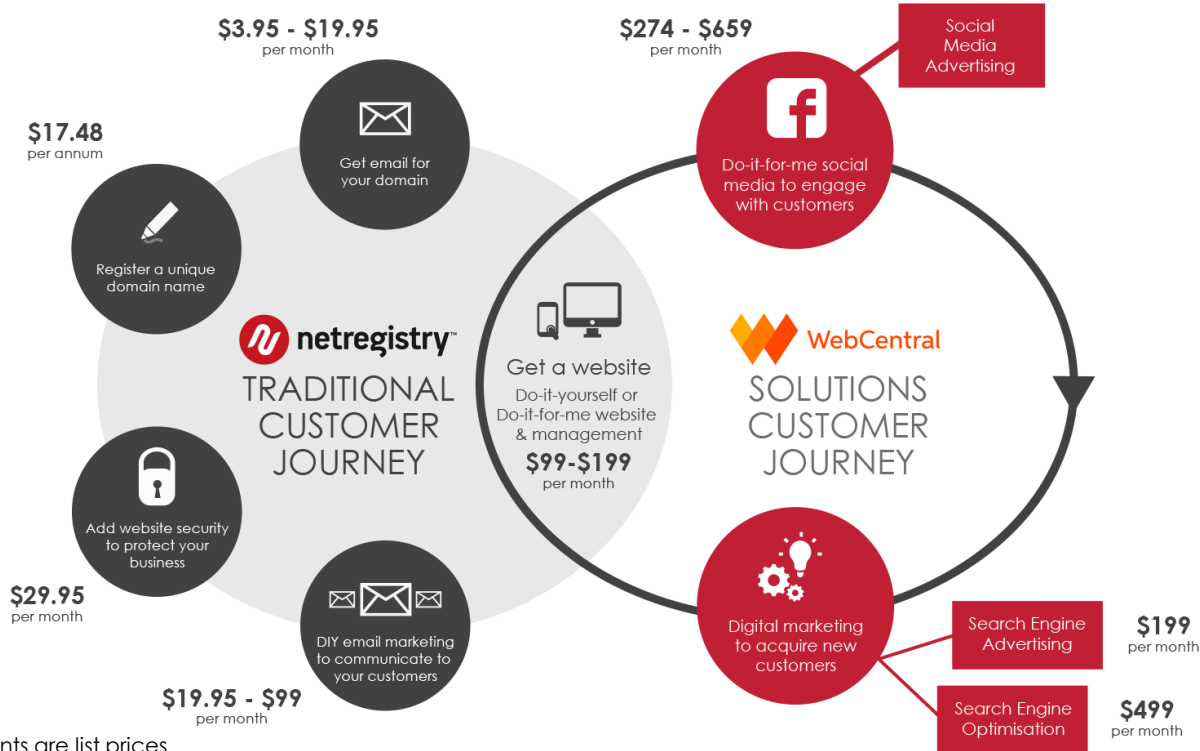
- Domains, web hosting, and email are key components for SMBs but account for only 20% of the market by value
- MIT No. 1 in the Australian market but highly competitive with large competitors driving commoditisation
- Average ARPU \$5-\$50pm

20%



* MIT analysis. Market size 2014

Customer Journeys: the key to revenue growth and value creation



SMB

Solutions Revenue: Growing Strongly

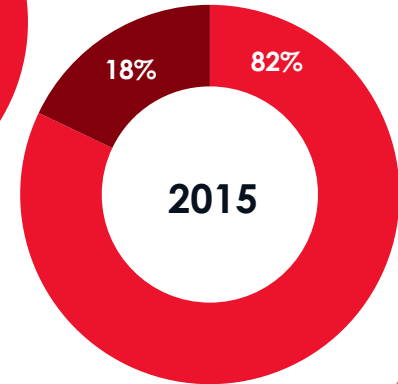
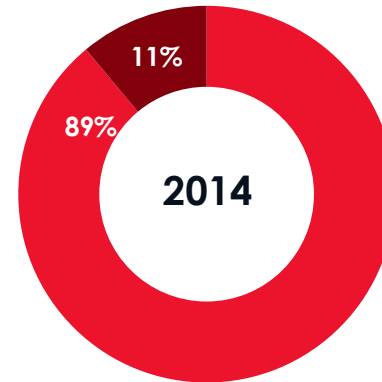
2015 SOLUTIONS REVENUE DIRECT*



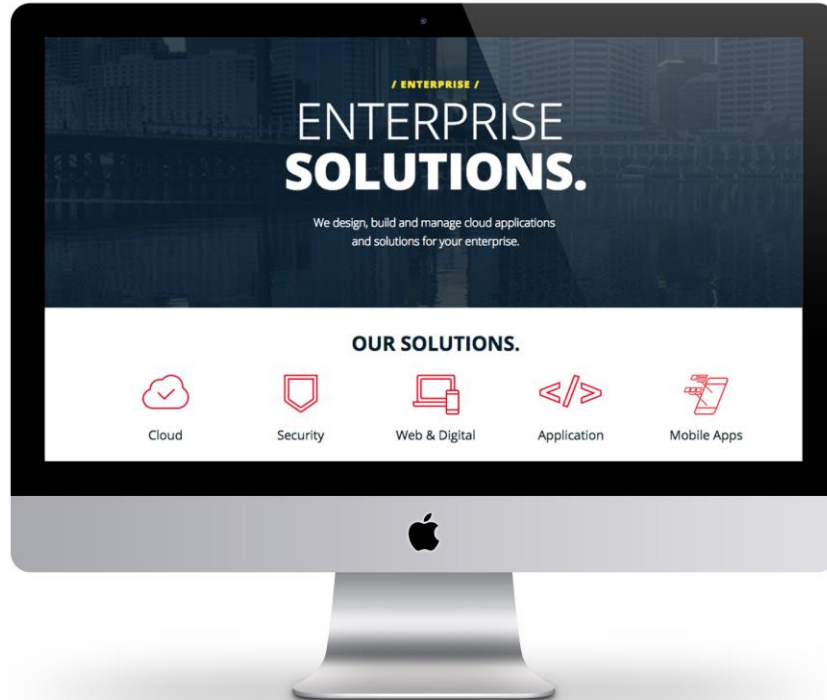
* 6 month rolling average

REVENUE SPLIT BY PRODUCTS

■ SOLUTIONS
■ COMPONENTS



Growth Drivers – Enterprise Services



ES: facts and figures

1 Successful reinvention more than 350 employees with offices in Melbourne, Sydney, Brisbane and Canberra

2 Strong Growth, underlying EBITDA growing



3 Expertise: Outware founders retained; InfoReady founders retained; AWS Foundation partner in Australia, Premier AWS Partner, AWS Managed Services certified Partner



4 Culture of Innovation and Customer Excellence

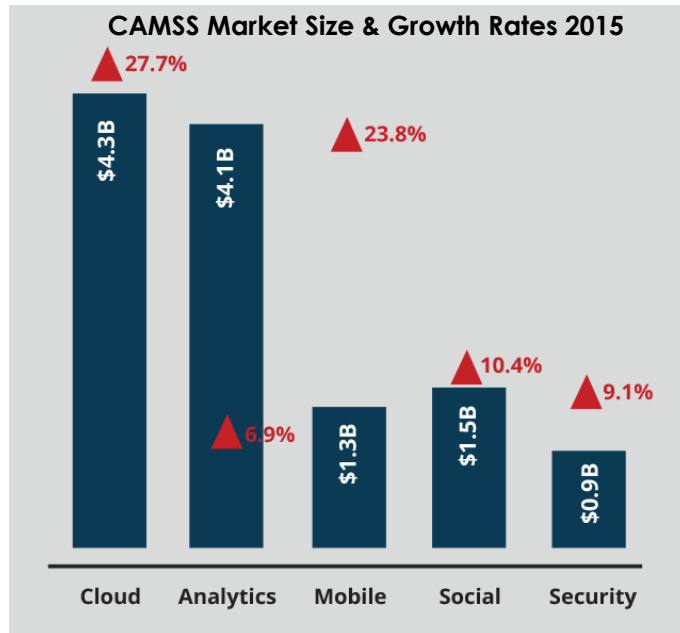


5 Enterprise Grade. Blue Chip customer base. Significant recurring revenues and repeatable project revenue. Governance and balance sheet suitable for Enterprise & Government customer partnering

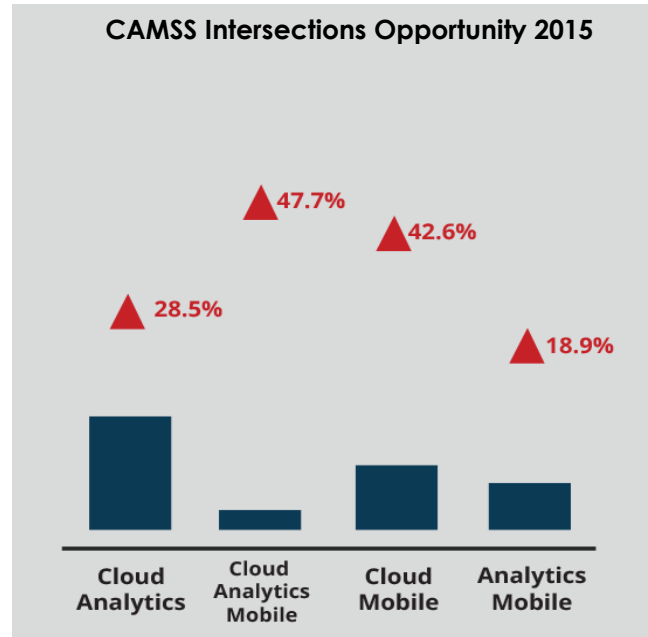


Digital Solutions: an attractive and strongly growing market

“Completeness of solution” will drive significant growth for ES



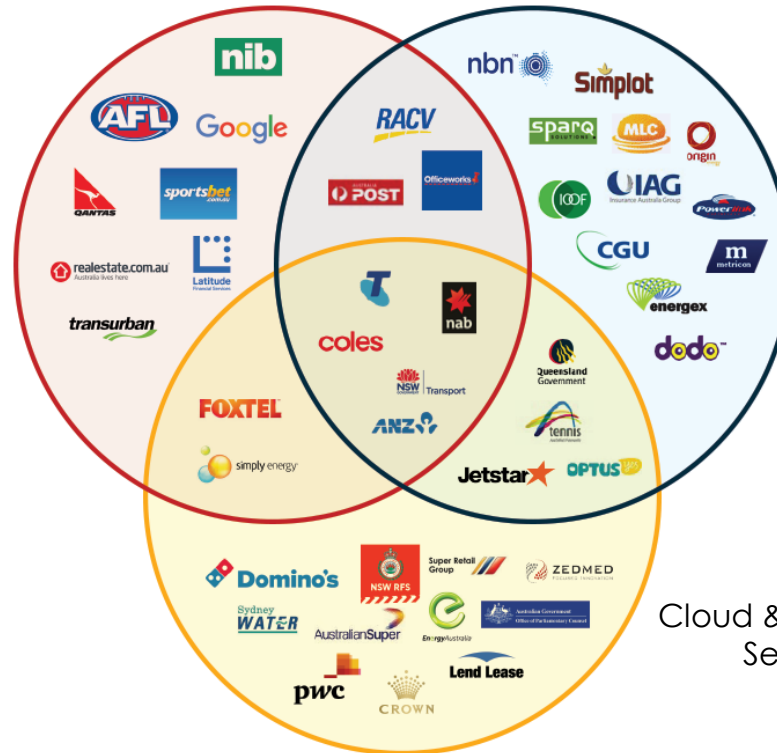
Key: ▲ Annual Growth Rate 2015



Source: IBM 2015

Revenue Synergies: unlocking the “intersection opportunities”

Mobile
(Outware Mobile)



Data & Analytics
(Infoready)

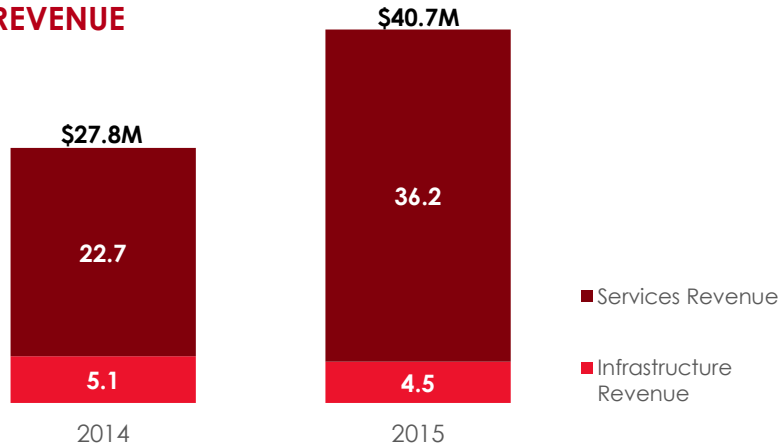
Cloud & Managed
Services

Enterprise Services: it's all about services and solutions

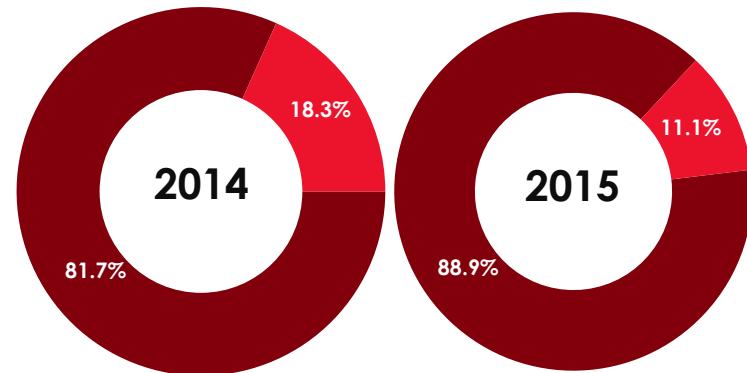
Enterprise Services continues to successfully execute on its digital solutions strategy:

- Consistent execution - managed services and professional services revenues now contributing 89% of total revenues, up from 82% in 2014
- Expansion includes capabilities in cloud, mobile, security, data and analytics and application development professional services

REVENUE



SPLIT BY SERVICES



Conclusions

1. Encouraging 2015 results: disciplined execution against a clear strategy is delivering results
 - underlying NPAT \$10.7m, up 22% versus pcp , underlying EPS 11.55c, up 21% versus pcp
2. Transformation well advanced and we are assembling a platform for growth;
 - \$10m Integration savings being delivered ahead of time - developing a track record,
 - acquisitions performing well: Outware Systems and Infoready – adding capability in Enterprise Services - strategic and accretive,
 - cash generative business model with recurring revenue streams- strong free cash flow of \$8.3m in FY15,
3. Good momentum going into 2016: profit guidance of \$27.9m - \$29.9m underlying EBITDA (+30% based on middle of range versus 2015)
4. Transition to a digital solutions well advanced in Enterprises and gathering momentum in SMB
5. Future growth leveraged to the growth in digital solutions

Transforming Melbourne IT

Appendix

Four Key Priorities

We have a clear and consistent focus on four key priorities that underpin our strategy and shareholder value.

1. Integrating our acquisitions to generate operational, financial and cultural benefits.
2. Arresting revenue decline in core SMB product categories (ie domains, hosting, and email) and returning the SMB business to growth.
3. Continued development of our SMB solutions business driven by “Done for Me” managed marketing solutions.
4. Continued development of ES managed services and new capabilities to offer clients a complete suite of digital services.

FY15 Statutory Results – Overview

Year Ended 31 December 2015	2015	2014	↕ %	KEY NOTES
Revenue	\$150.3m	\$124.7m	21%	Organic growth from Enterprise Services and contribution from acquisitions.
NPAT	\$5.6m	\$0.5m	1,020%	Prior period NPAT impacted by once off impairment charge. See page 8 for underlying performance and 4E for detail.
EBITDA	\$16.5m*	\$12.8m	29%	Growth in Enterprise Services and the inclusion of acquisitions (ie Netregistry, Uber Global and Outware Systems).
EBITDA % Margin	11%	10%	10%	Strong margin improvement with increased scale and synergy savings.
EPS (cents)	6.04c	0.72c	738%	Prior period EPS impacted by once off impairment charge of \$8.6m (\$6m tax effected).

*Includes corporate costs of ~\$7.4m, the period-on-period increase of \$2.2m is a result of higher transaction costs, full period impact of CEO remuneration, and centralisation of some shared services functions.

Please note: Figures throughout this document may not be exact due to rounding and includes non-IFRS financial information that is relevant for users understanding the underlying performance.

FY16 Guidance

- Statutory EBITDA is expected to be in the range of \$26.1m to \$28.1m
- **Underlying EBITDA** is expected to be in the range of **\$27.9m to \$29.9m**
- Underlying EPS* is expected to be in the range of \$0.14 and \$0.15 per share
- The dividend for 2016 will be determined by reference to a payout ratio in the range of 55% to 75%**

* underlying EPS is undiluted

** calculated off statutory NPAT

Sensitivities

- Competitive pressures in our core SMB domains and hosting business persist but we are competing effectively;
- Opportunity to accelerate revenue synergies with Outware Systems and Infoready acquisitions;
- Growing proportion of professional services revenue in the ES P&L makes forecasting harder – should expect some “lumpiness”; and
- SMB growth sensitive to volume of solutions sales (supply side fragmented with no dominant competitors).

FY15 Financials – Cash Movement

Year Ended 31 December 2015	2015	2014	↕ %	KEY NOTES
EBITDA	\$16.5m	\$12.8m	29%	
Working Capital	(\$0.4m)	(\$1.9m)		Timing issue with a large payment from one customer
Net Tax (Paid)/Refunded	(\$2.0m)	\$4.8m		Tax paid has returned to normal levels
Capex	(\$5.8m)	(\$6.3m)	(8%)	Current year Capex driven by system improvements and integration costs.
Free Cash Flow	\$8.3m	\$9.4m		
Financing (inc net interest)	\$24.4m	(\$46.1m)		Cash inflow due to borrowings of \$30.0m, offset by outflow from dividends \$4.9m.
Investing (ex Capex)	(\$38.4m)	(\$25.7m)	(49%)	Cash outflow from acquisition of Uber Global and Outware Systems
Net cash movement	(\$5.7m)	(\$62.4m)		
Closing net cash	\$12.4m	\$18.1m	(32%)	

FY15 Financials – Cash Movement (cont)

Year Ended 31 December 2015	2015	2014
FINANCING (inc net interest)		
Return of capital	-	(\$45.2m)
Dividend paid	(\$4.9m)	(\$1.1m)
Proceeds from borrowings	\$30.0m	-
Other	(\$0.7m)	\$0.2m
Total Financing (inc net interest)	\$24.4m	(\$46.1m)
INVESTING (ex Capex)		
Acquisition of Uber Global (2015), Outware Systems (2015) & Netregistry (2014)	(\$38.2m)	(\$39.7m)
Proceeds from sale of DBS	-	\$15.3m
Other	(\$0.2m)	(\$1.3m)
Total investing (ex Capex)	(\$38.4m)	(\$25.7m)