H1 2016 RESULTS

INVESTOR PRESENTATION

Transforming MLB into a growing digital solutions business with higher quality earnings

30 August 2016

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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 **digital solutions business** with higher quality earnings and leveraged to growth in digital services.
- We are focussed on delivering strong free cash flows and enhancing **returns** to shareholders.

H1 2016: summary

Consistent execution against a clearly defined strategy is delivering the expected benefits:

1. First half results demonstrate ongoing momentum;
   a) statutory growth very strong on pcp with revenue up 23%, EBITDA up 115%, and NPAT up 83%,
   b) underlying results on forecast with EBITDA up 6% on pcp
2. Small to Medium Business (SMB) has turned the corner with 3 consecutive quarters of top line growth;
3. Acquired Infoready, a growing data analytics business – Enterprise Services (ES) is now a leading end-to-end digital solutions provider for large Enterprise and Government customers;
4. Integration and related synergies are on plan;
5. Successful disposal of declining legacy international domain name reseller business;
6. Cash generative business model - strong free cash flow of $6.1m.

Guidance and Dividend

Guidance Affirmed – 2016 Financial Year

- Statutory EBITDA is expected to be in the range of $26m to $28m
- **Underlying EBITDA** is expected to be in the range of **$28m to $30m**
- Underlying EPS is expected to be in the range of $0.14 and $0.15 per share

Dividend

- Following the sound result in H1 the Board has declared an interim dividend of $0.02 (100% franked)
- The full year dividend for 2016 will be determined by reference to a payout ratio in the range of 55% to 75% calculated off statutory NPAT

Focus: four key priorities

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Execution on track and delivering anticipated benefits.

Returning SMB to Growth – a story in two parts

1. slowing the decline in the legacy SMB product categories of domains and hosting, and
2. continued development of our SMB solutions business driven by “Do-It-For-Me” (DIFM) website design and managed digital marketing solutions

Accelerating the Growth in Enterprise Services (ES)

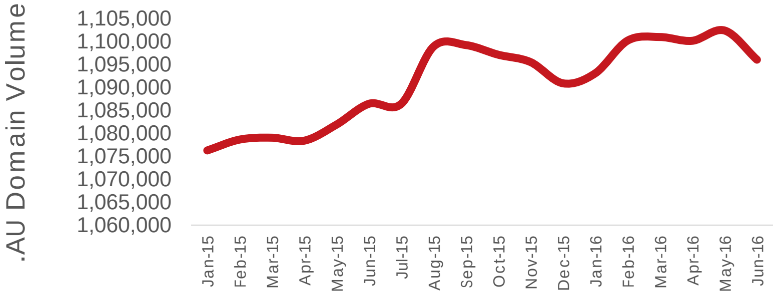
3. continued development of Enterprise Services (ES) as a digital solutions business focussing on large enterprise and government customers.

Synergies

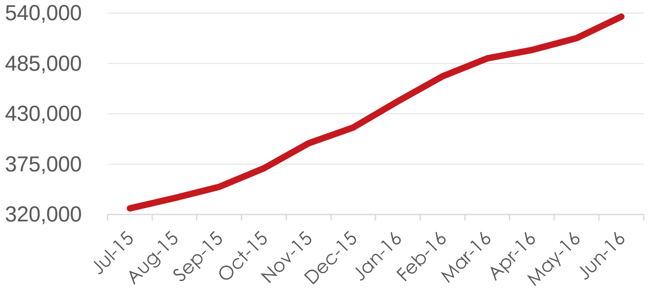
4. integrating our acquisitions to generate operational, financial and cultural benefits throughout the organisation.

Progress: four key priorities

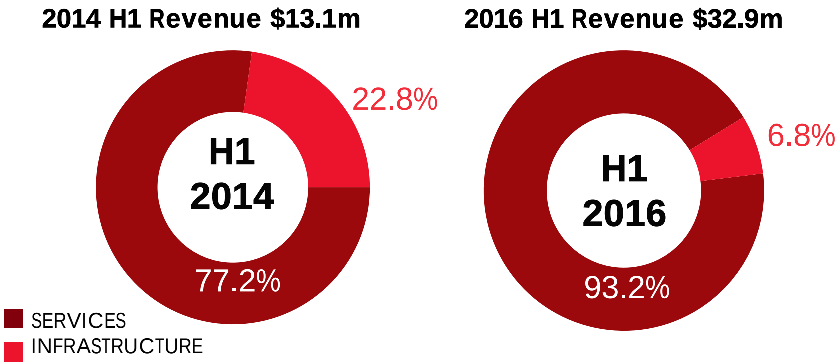
SMB: consistent improvement in legacy



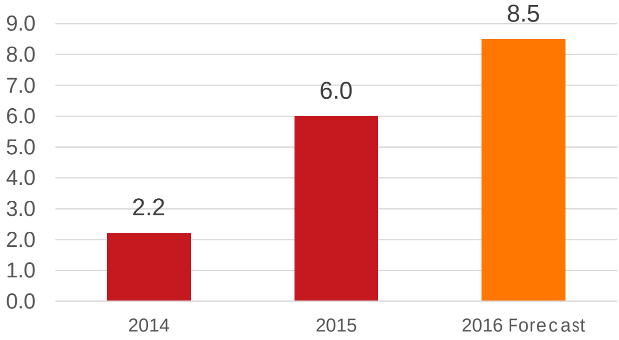
SMB: strong solutions revenue growth



ES: digital solutions dominate



Synergies: on track



2016 H1 Financials: statutory result

Half Year Ended 30 June 2016	H1 2016	H1 2015	⇕ %	NOTES
Revenue	$85.0m	$69.2m	23%	Contribution from acquisitions (ie Uber Global, Outware Systems and InfoReady) and organic growth in SMB
Statutory NPAT	$2.2m	$1.2m	83%	
Statutory EBITDA	$11.2m	$5.2m	115%	Contribution from acquisitions (ie Uber Global, Outware Systems and InfoReady) and gain on sale of assets (ie IDNR business)
EBITDA % Margin	13%	8%	63%	
EPS (cents)	2.31c	1.28c	80%	

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.

2016 H1 Financials: underlying EBITDA

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Half Year Ended 30 June 2016	H1 2016	H1 2015	NOTES
Statutory EBITDA	**$11.2m**	**$5.2m**	Statutory EBITDA reported
Adjustments to calculate underlying EBITDA			
1. Transaction costs	$0.6m	$1.7m	One off transaction costs incurred for acquisitions
2. Synergy costs	$1.2m	$0.8m	One off cost of delivering synergies
3. au.com provision	-	($0.8m)	Write back of NRG pre-acquisition provision in FY15
4. Additional contribution from acquisitions	$0.6m	$3.1m	Contribution prior to acquisition for InfoReady (H1 2016), Outware (H1 2015) and Uber (H1 2015)*
5. Contribution of IDNR business prior to sale	($0.1m)	-	Three months of EBITDA from IDNR business sold in Mar 16
6. Other non-operating income	($0.6m)	-	Relates to reassessment of Outware dividend liability
7. Other non-operating expenses	$0.1m	-	Outware bonus provision for the period
8. Gain on sale of IDNR business	($2.4m)	-	
Underlying EBITDA	**$10.6m**	**$10.0m**	After reversing the impact of material one-off items and as if all acquisitions are owned for the full 2016 H1 period

*as if all businesses owned since 1 Jan – ie additional EBITDA contributions up to completion not already included in Statutory EBITDA. Included to assist investors to estimate full year profit.

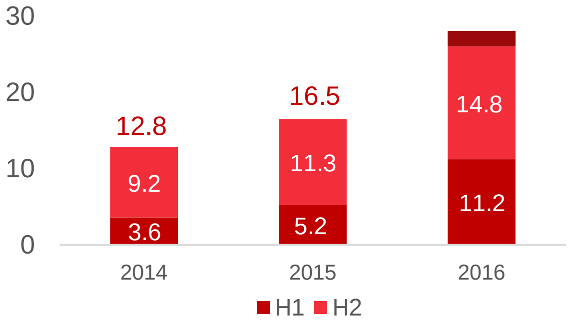
Please note: Figures on this page reflect managements best estimate and have not been audited. They may not be exact due to rounding and include non-IFRS financial information that is relevant for users understanding the underlying performance.

2016 H1 Financials: underlying EBITDA bridge

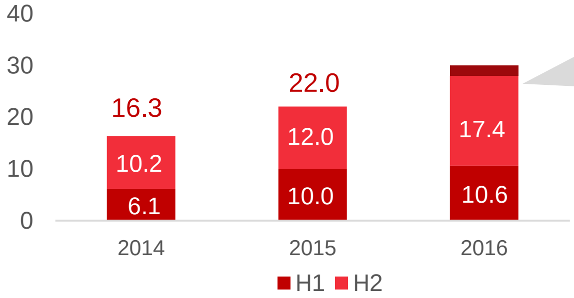
Half Year Ended 30 June 2016	Low Range	High Range	NOTES
H1 2016 underlying EBITDA	**$10.6m**		
1. ES growth in cloud (legacy)	$3.0m		Good performance in turning on annuity revenue in H1 will flow through to a stronger H2 result. Contracted growth in OTC in H2 will also contribute to a stronger second half.
2. ES growth in data analytics and mobile	$2.7m		Strongly growing acquired businesses will deliver a materially larger H2 result compared to H1.
3. SMB organic growth	$0.6m		Solutions revenue is high ARPU annuity revenue – compounding nature of this revenue will drive growth in H2.
4. Synergy costs	$0.5m		
5. Other	$0.0m	$2.0m	Range reflects conservative assumptions around the timing of project revenues in ES.
H2 2016 underlying EBITDA	**$17.4m**	**$19.4m**	
FY 2016 underlying EBITDA	**$28.0M**	**$30.0M**	

2016 H1Financials: track record

Statutory EBITDA ($m)

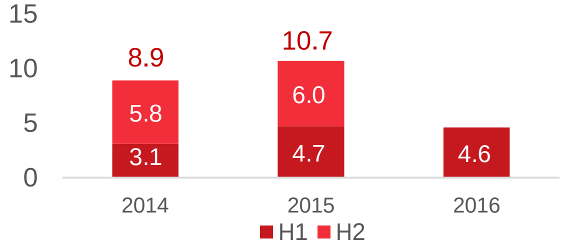


Underlying EBITDA ($m)

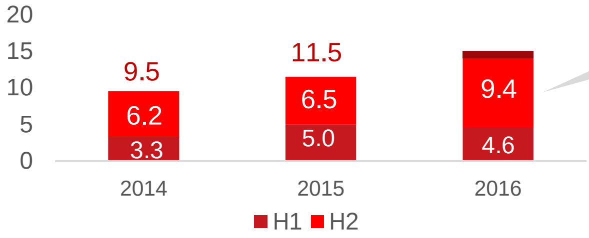


Underlying EBITDA is expected to be in the range of $28.0m to $30.0m in 2016

Underlying NPAT ($m)



Underlying EPS (cents)



Underlying EPS is expected to be in the range of $0.14 to $0.15 per share in 2016

* Underlying figures have excluded transaction costs, synergy costs, 2015 warranty provision write back, 2016 unwinding of discount on put liability, 2016 earnings from the IDNR business, gain on sale of IDNR business and other one off transactions, and included the full year impact of acquisitions made during the respective years.

2016 H1 Financials: cash movement

Half Year Ended 30 June 2016	H1 2016	H1 2015	⇳ %	KEY NOTES
EBITDA	$11.2m	$5.2m	115%	
Working Capital	$0.3m	$4.6m		
Net Tax (Paid)/Refunded	($3.1m)	$0.0m		Tax paid has returned to normal levels
Capex	($2.3m)	($1.7m)	(35%)	Current year Capex driven by system improvements and integration costs.
Free Cash Flow	**$6.1m**	$8.1m		
Financing (inc net interest)	$7.4m	$26.2m		Cash inflow due to capital raising of $15.0m, offset by outflow from dividends $4.1m and repayment of borrowings $2.3m.
Investing (ex Capex)	($9.4m)	($37.0m)		Cash outflow from acquisition of InfoReady partially offset by proceeds from IDNR business sale
Net cash movement	$4.1m	($2.7m)		
Closing net cash	**$16.5m**	$15.4m	7%	

2016 H1 Financials: cash movement

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Half Year Ended 30 June 2016	H1 2016	H1 2015
FINANCING (inc net interest)		
Proceeds from capital raising	$15.0m	-
Transaction costs on capital raising	($0.6m)	-
Dividend paid	($4.1m)	($3.7m)
Proceeds from/ (repayment of) borrowings	($2.3m)	$30.0m
Net interest paid	($0.5m)	-
Other	($0.1m)	($0.1m)
Total Financing (inc net interest)	$7.4m	$26.2m
Half Year Ended 30 June 2016	**H1 2016**	**H1 2015**
INVESTING (ex Capex)		
Acquisition of Uber Global (2015), Outware Systems (2015) & InfoReady (2016) inc transaction costs	($16.0m)	($37.0m)
Proceeds from sale of IDNR business net of transaction costs	$6.6m	-
Total investing (ex Capex)	($9.4m)	($37.0m)

2016 H1 Financials: balance sheet

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Half Year Ended 30 June 2016	Jun-16	Dec-15	⇕ %	KEY NOTES
Cash	$16.5m	$12.4m	33%	Increase from capital raising, sale of IDNR business, and positive operating cash flows, partially offset by Infoready acquisition and dividends paid.
Other current assets	$28.2m	$25.3m	11%	Increase due to Infoready contribution.
Current assets	$44.7m	$37.7m	19%	
Non-current assets	$240.2m	$225.1m	7%	Increase in goodwill arising from Infoready acquisition partially offset by goodwill reduction on IDNR sale.
Total assets	**$284.9m**	**$262.8m**	**8%**	
Current liabilities	$68.2m	$68.5m	0%	Reduction due to lower than expected Outware tranche 2 liability, partially offset by Infoready contribution.
Non-current liabilities	$76.2m	$73.7m	3%	Increase due to contingent consideration on Infoready acquisition partially offset by lower bank borrowings.
Total liabilities	**$144.4m**	**$142.2m**	**2%**	
Equity	$140.5m	$120.6m	17%	Positive impact from capital raising, increase in Other Reserves due to a lesser Outware tranche 2 liability and 2016 H1 NPAT, was partially offset by dividends paid.

Operational Highlights

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Corporate

- Successfully raised $15M of new equity – 3 x oversubscribed and no discount to market;

Enterprise Services (ES)

- **Key customer wins** including Crown, REST Superannuation, Jetstar, Officeworks & Peoplecare;
- Acquired leading data and analytics business Infoready;
- Relocated acquired businesses (Outware & Infoready) into Melbourne IT offices with integration activities already proceeding within sales and shared services functions;

Small to Medium Business (SMB)

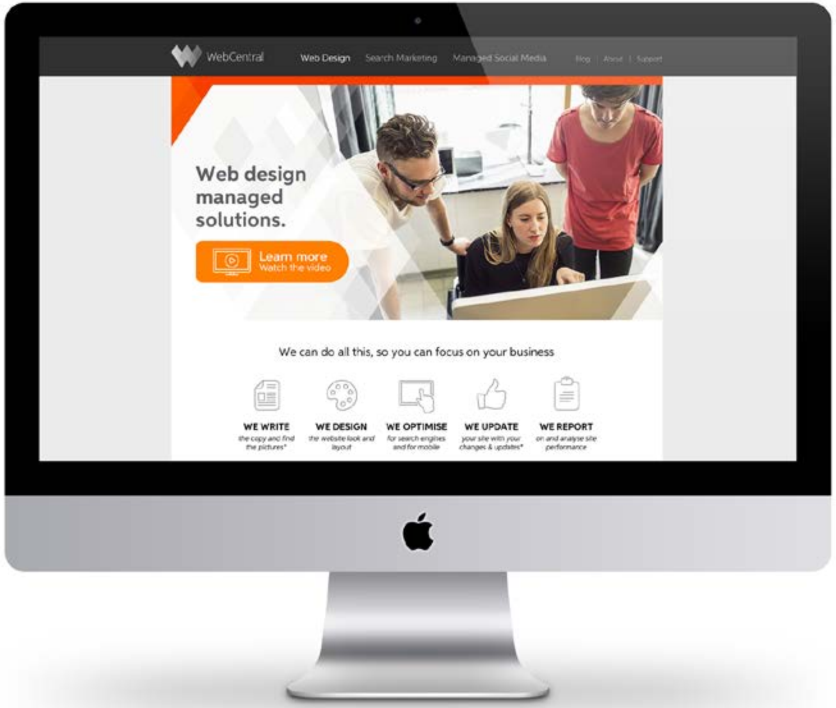
- SMB has turned the corner with 3 consecutive quarters of **organic revenue growth** vs pcp (after a prolonged period of decline);
- **Solutions** revenues growing strongly – **71% YoY growth**;
- Domestic wholesale business growing – 5% YoY revenue growth (after three years of decline);
- Successful sale of international wholesale business – contributing over USD $6M to the business;
- Google Certified AdWords partner (accredited in May);
- Emma Hunt appointed to newly created role of EGM SMB bringing increased focus to SMB.

Operational Highlights: integration

- The integration of MLB, Netregistry and Uber Global is on track to achieve $8.5M pa of synergy savings by close of 2016;
- Synergy costs in 2016 will be approximately $2.8m for the full year (cf $1.2M in H1).

STRATEGIC PRIORITY	PROGRESS REPORT	NEXT STEPS
QUICK WINS	Quick wins are complete, focus is now on customer migration.	Completed
REVENUE SYNERGIES	Established a dedicated stream within Integration focussing on capturing revenue synergies from migrating customers.	Team established. Focusing on upselling migrating customers to new managed marketing services and DIFM web design.
CUSTOMER MIGRATION	Over forty thousand customers migrated in H1 2016 (with no significant operational disruption). To date have moved 60,000 customers and 130,000 services.	Bulk of the migration to be completed by end of 2016. We will move more than 200K customers in H2.
TECHNICAL CONSOLIDATION	Have commenced rationalising data centre footprint and on premise platforms.	Will be out of 3 data centres by the end of 2016 and will have consolidated to a single cPanel hosting platform. Migration to a cloud based mail platform has commenced.
BACK OFFICE CONSOLIDATION	Consolidated reporting completed.	Full Uber integration (staff, process and systems) achieved in H2.

SMB: segment results and performance



SMB

SMB: segment statutory result

Half Year Ended 30 June 2016	H1 2016	H1 2015	⇳ %	KEY NOTES
Revenue	$52.0m	$53.3m	(2%)	Unfavourable impact due to sale of IDNR business ($5.1M), partially offset by growth in solutions product offerings and contribution from acquisition of Uber
Gross Margin	$29.0m	$28.9m	0%	Improved margin % due to sale of lower margin IDNR business. Product mix change will continue to impact % margin but absolute margin dollars will grow in H2.
Opex	$22.3m	$21.6m	3%	Additional costs from acquisitions partially offset by synergy savings and tight cost management across the business.
EBITDA**	$6.7m	$7.3m	(8%)	
EBITDA % Margin	12.9%	13.7%		

** Includes non-IFRS financial information that is relevant for users understanding the underlying performance of the business.

SMB

SMB: segment result (ex acquisitions)

Half Year Ended 30 June 2016	H1 2016	H1 2015	⇳ %	KEY NOTES
Revenue	$41.0m	$40.8m	0%	Positive impact from solutions growth partially offset by decline in legacy domains and hosting revenue.
Gross Margin	$25.6m	$26.6m	(4%)	Impacted by changing revenue mix. Product mix change will continue to impact % margin but absolute margin dollars will grow in H2.
Opex	$19.9m	$20.4m	(2%)	Positive impact from integration savings and tight cost management across the business.
EBITDA**	$5.7m	$6.2m	(8%)	
EBITDA % Margin	13.9%	15.2%		

Notes:
1. result excludes the impact of the acquisitions of Uber Global and the sale of the IDNR business
**includes non-IFRS financial information that is relevant for users understanding the underlying performance of the business.

SMB: growth from solutions

SOLUTIONS MARKET

90%

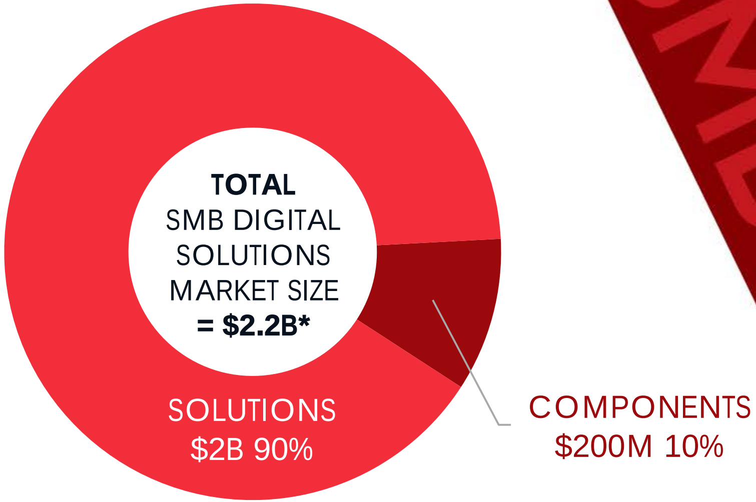
- Customers prepared to pay for solutions that meet a need or solve a problem
- Local support and Do-It-For-Me proposition
- Highly fragmented market with no major competitor in Australia
- Average ARPU $100-$400pm

COMPONENTS MARKET

10%

- 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

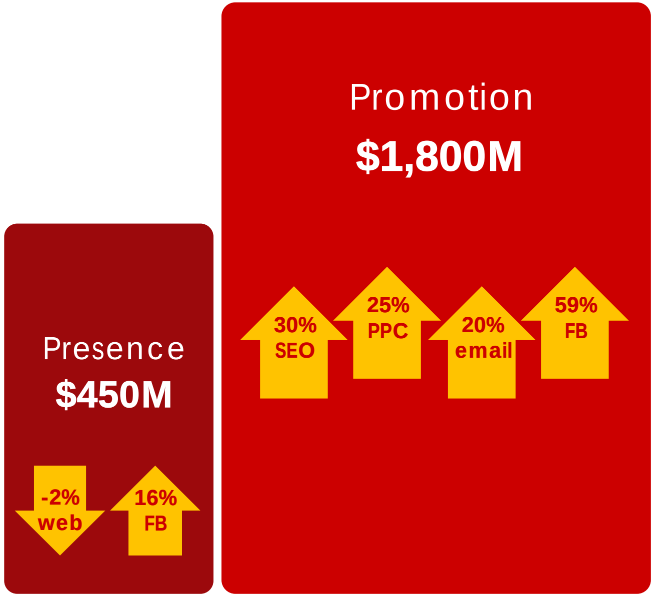
SMB Growth from Solutions



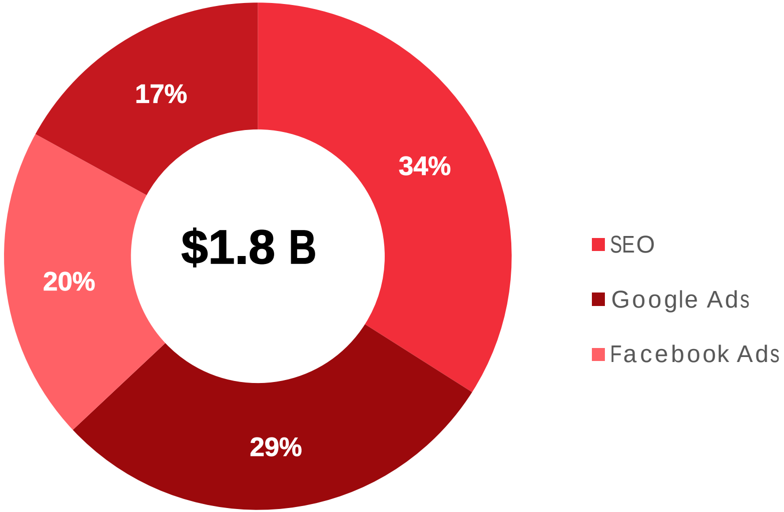
* Revised market size following independent study from Growth Solutions Group, 2016. Commissioned by Melbourne IT.

The Solutions Market: size

MLB has a small share of a large and rapidly growing market

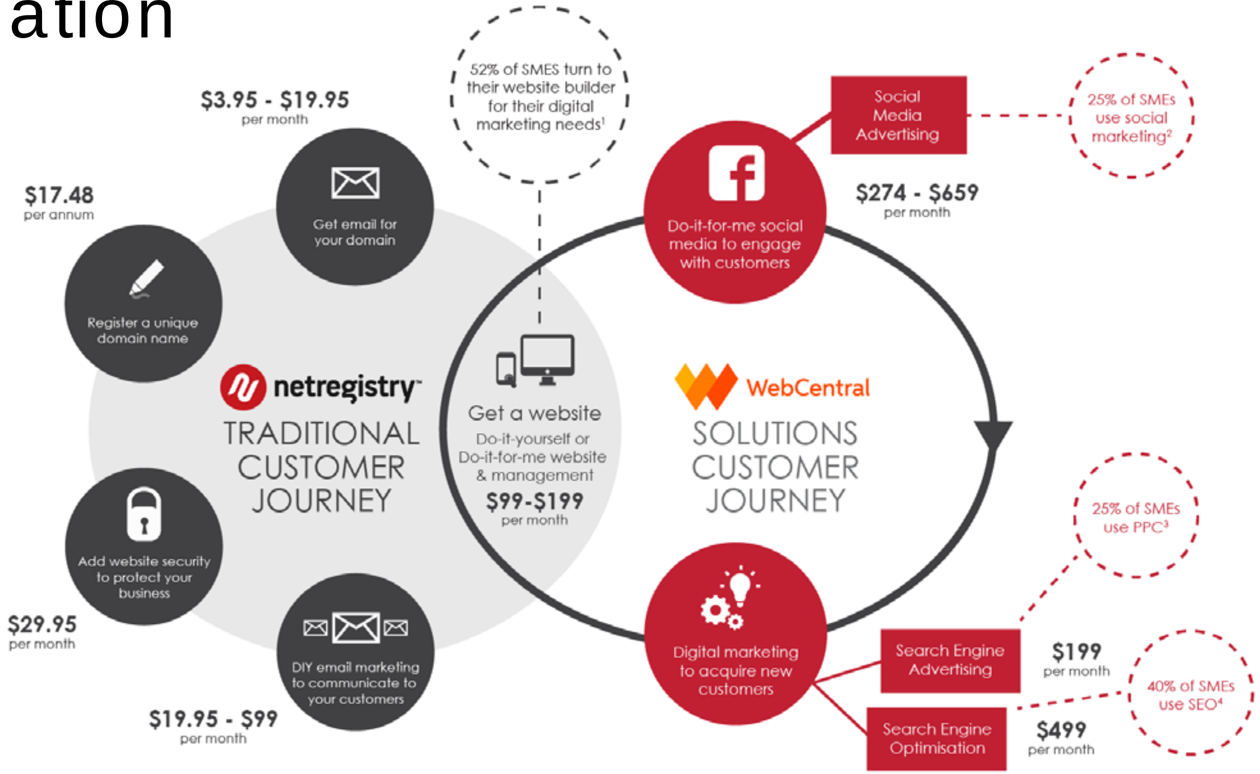


Digital Marketing Opportunity



SMB

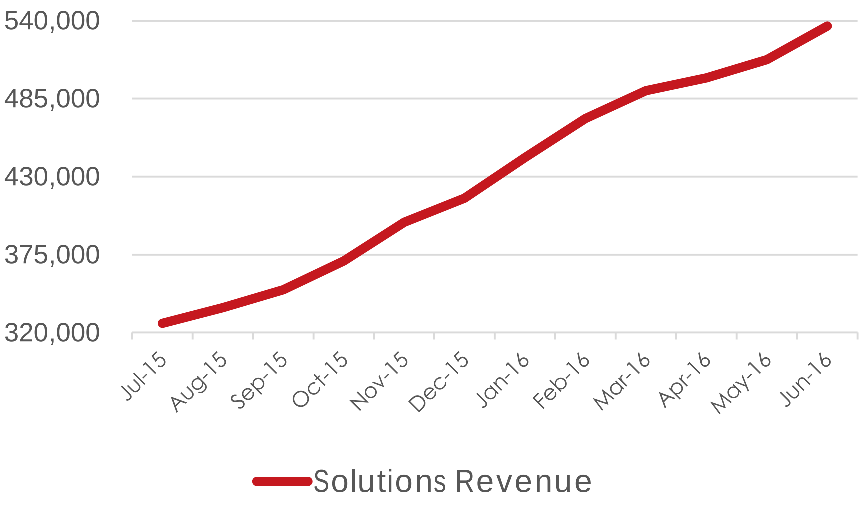
Customer Journeys: the key to value creation



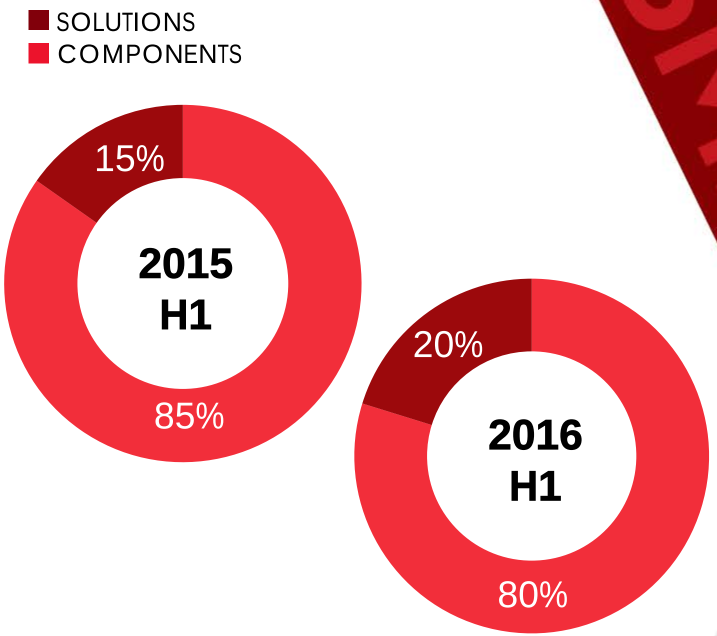
1. IPSOS: Melbourne IT Customer Web Journey Study
2. IPSOS report
3. IPSOS report
4. IPSOS report

Execution: solutions revenue growing strongly

Solutions Revenue Growth



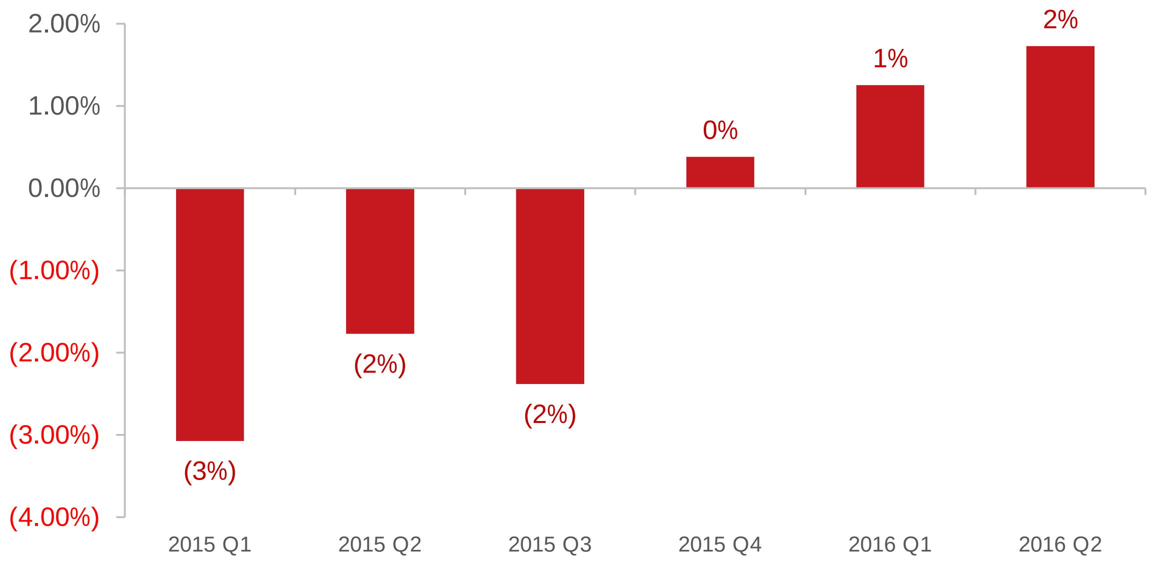
REVENUE SPLIT BY SEGMENT



SMB

Execution: a return to organic growth

SMB Direct Revenue Growth (pcp)



Quarter	PcP% Growth
2015 Q1	(3.1%)
2015 Q2	(1.8%)
2015 Q3	(2.4%)
2015 Q4	0.4%
2016 Q1	1.3%
2016 Q2	1.7%

SMB

ES: segment results and performance

ES

ES: segment statutory result

Half Year Ended 30 June 2016	H1 2016	H1 2015	⇕ %	KEY NOTES
Revenue	$32.9m	$15.7m	110%	Full half contribution from Mobile practice and second quarter from Analytics practice driving growth
Gross Margin	$16.1m	$9.7m	66%	Increased margin due to contributions from acquisitions
Opex	$11.0m	$7.9m	39%	Costs from acquired businesses
EBITDA**	$5.1m	$1.8m	183%	
EBITDA % Margin	15.5%	11.5%		Improvement in margins coming from practice combination

** Includes non-IFRS financial information that is relevant for users understanding the underlying performance

ES: segment result (ex acquisitions)

Half Year Ended 30 June 2016	H1 2016	H1 2015	⇳ %	KEY NOTES
Revenue	$14.2m	$14.5m	(2%)	Reduced project revenue vs 2015, due to large OTC work for DETE in H1 2015 and delay of DETE project work to H2 2016 (NB excluding DETE, revenue grew by 9%)
Gross Margin	$7.9m	$8.9m	(11%)	Increase in COGS due to higher AWS volume and lower AUD:USD exchange rate
Opex	$6.6m	$7.5m	(12%)	Savings due to operational efficiencies
EBITDA**	$1.3m	$1.4m	(7%)	
EBITDA % Margin	9.2%	9.7%		

Notes:
1. result is before the contribution from the acquisitions of Infoready and Outware
** includes non-IFRS financial information that is relevant for users understanding the underlying performance

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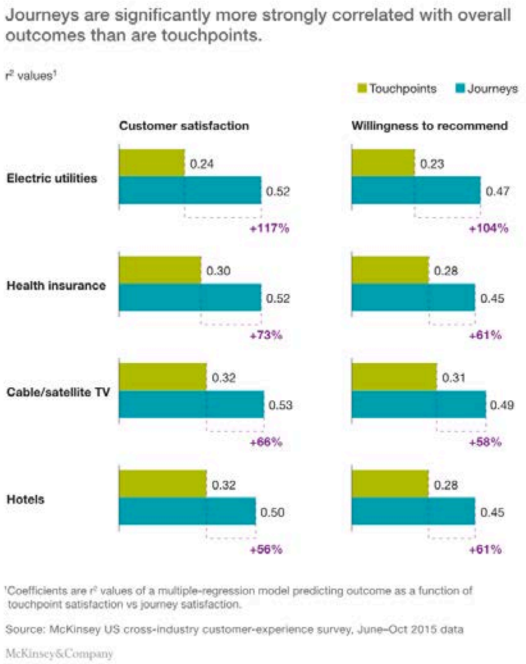
ES

ES: digital solutions strategy

Complete digital solutions help organisations better manage their customer journeys, in turn out-performing their competitors.

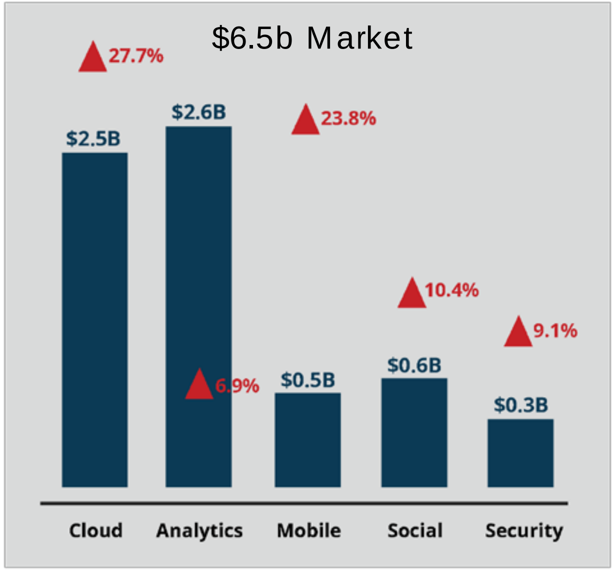


Foundation Digital Technologies (CAMSS)

Cloud	Analytics	Mobile	Social	Security

Digital Solutions: an attractive and strongly growing market

(CAMSS) FOUNDATION DIGITAL TECHNOLOGIES



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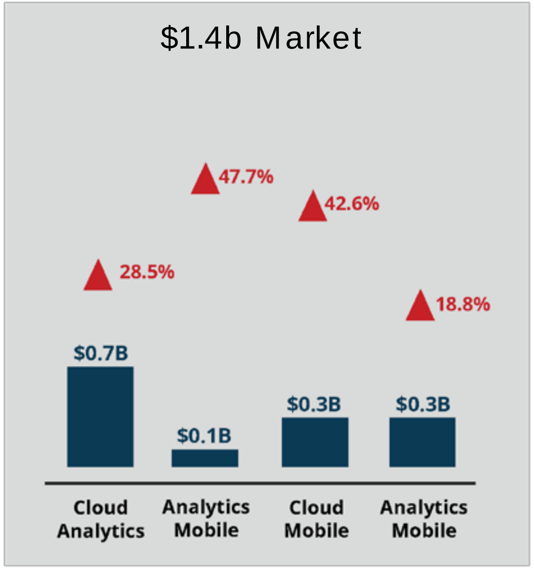
Cloud, Analytics, Mobile Intersections



Key: ▲ Annual Growth Rate 2015

Source: IBM 2015

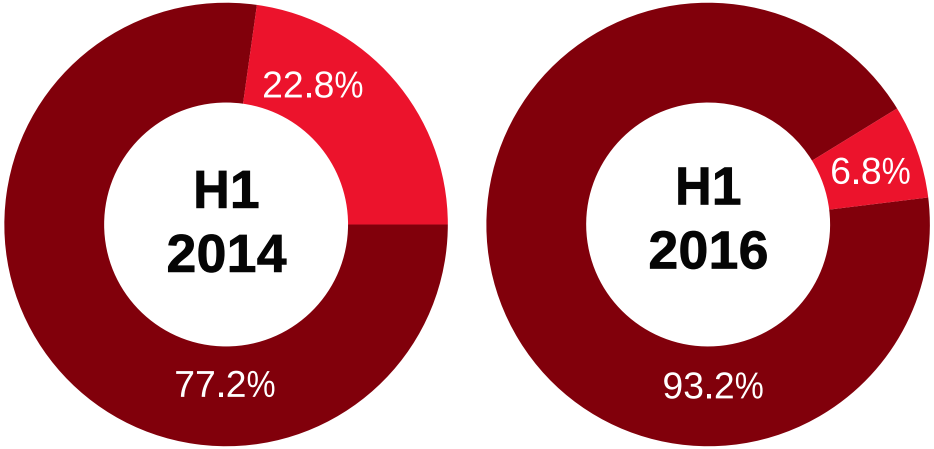
Execution: solutions driving growth

Enterprise Services continues to successfully execute its digital solutions strategy:

- Consistent execution building managed services and professional services revenues, now contributing 93% of total revenues up from 77% in H1 2016
- Expanded capabilities in cloud, security and mobile application development
- Expansion with mobile capabilities accelerates the execution of the professional services strategy

SPLIT BY SERVICES

SOLUTIONS
INFRASTRUCTURE



Revenue Synergies: unlocking the "intersection opportunities"

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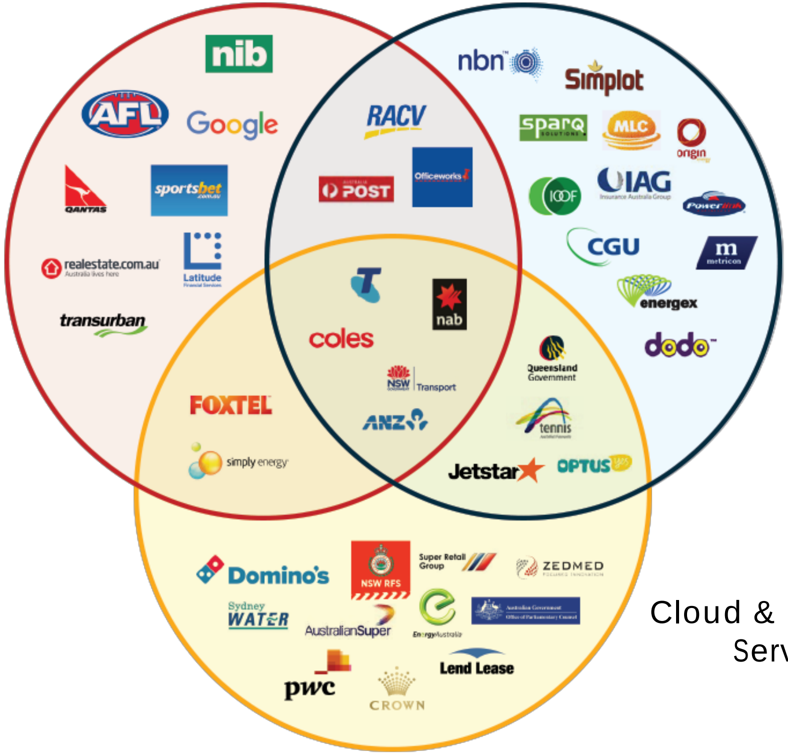
Mobile
(Outware Mobile)

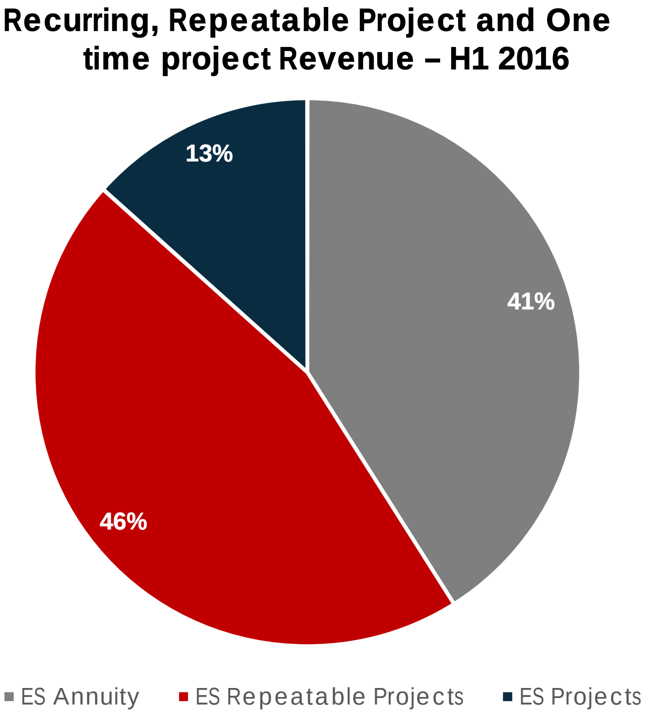
Data & Analytics
(Inforeadv)

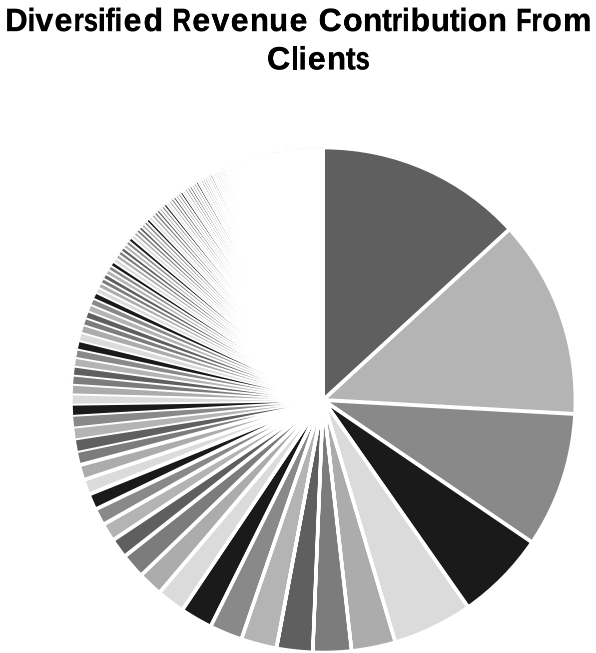


Cloud & Managed
Services

ES Customers: marquee brands

Managing Revenue Risk: repeatable revenues and customer diversity





Concluding Points

Consistent execution against a clearly defined strategy is well advanced and delivering anticipated benefits

1. Pleasing results demonstrate ongoing execution against a clear strategy;
   a) statutory growth very strong on pcp with revenue up 23%, EBITDA up 115%, and NPAT up 83%
   b) underlying result on forecast with EBITDA up 6% on pcp
2. Small to Medium Business (SMB) has turned the corner with 3 consecutive quarters of top line growth (on a pcp basis), driven by a 71% rise in solutions revenue;
3. Integration and related synergies are on plan;
4. Following the acquisitions of Outware (mobile) and Infoready (data and analytics), ES is now a leading end-to-end digital solutions provider for large Enterprise and Government customers;
5. FY16 underlying EBITDA guidance of $28M – $30M affirmed.

Sensitivities

- Traditional domains and hosting business continues to be challenging with margins and volumes under pressure from large competitors;
- Opportunity to accelerate revenue synergies with Outware Systems and Infoready acquisition by selling complete enterprise solutions;
- Scaling SMB solutions to meet market demand while maintaining a strong customer experience; and
- Lumpiness of Enterprise Services revenue growth

Appendix: Outware second tranche payment

Background

- In June 2015 Melbourne IT acquired 50.2% of Outware Systems for $21.7M;
- MLB also acquired options to move to 100% (two options each for 24.9% of the issued capital of Outware) over the following two years;
- The consideration payable for tranches 2 and 3 is calculated by reference to the EBITDA as at 30/06/2016 & 30/06/2017 respectively;
- The option has been exercised in respect of tranche 2 and MLB will complete the purchase by 31 August, 2016;
- This appendix examines the consideration payable upon exercise of this option and the performance of Outware over the year to 30 June 2016.

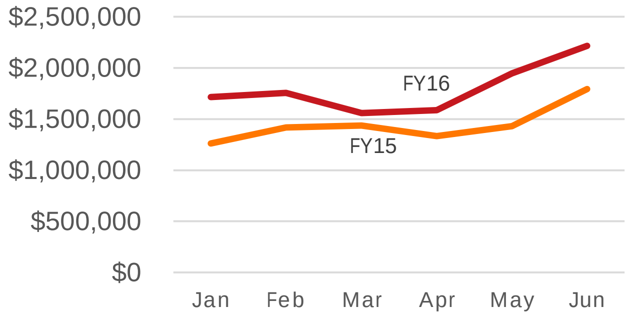
Outware: second tranche

	Tranche 1	Tranche 2
Revenue	$8.7M	$10.8M[1]
EBITDA	$5.1M	$5.5M[2]
Valuation Multiple	8.5x	6.75x[3]
% of shares	50.2%	24.9%[4]
Price	$21.7M	$9.24M
Share of cash	N/A	$1.36M[5]
Total payments	$21.7M	$32.3M

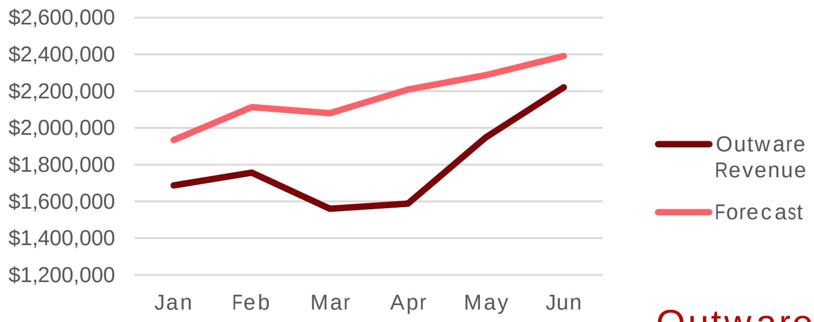
1. Year-on-Year Revenue growth of 24%
2. Year-on-Year EBITDA growth of 8%
3. Average acquisition multiple after tranche 2 of 7.5x
4. Cumulative ownership after tranche 2 is 75.1%
5. Cash paid to vendor as part of cash sweep

Outware: second tranche

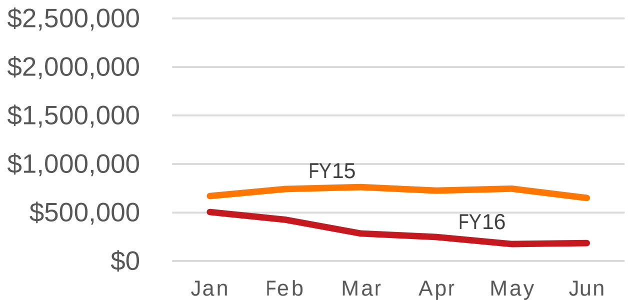
Revenue (YoY)



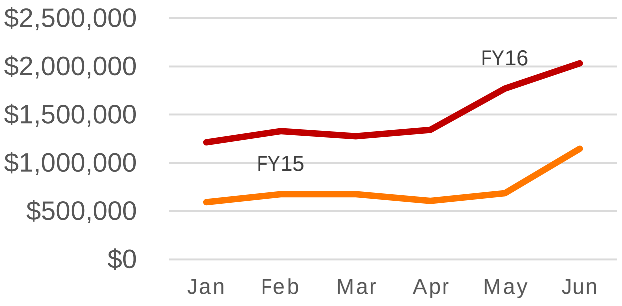
Revenue (actual v forecast)



ANZ Revenue



All Other Revenue



Outware revenue grew at 24% (vs pcp) while underlying revenue excluding ANZ grew at 105%.

Outware: second tranche

Dependency on ANZ has reduced dramatically during 2016.