

19 October 2016

Melbourne IT Ltd (ASX: MLB)

Australian Microcap Investor Conference Presentation

Attached is a copy of the presentation to be delivered by Melbourne IT's CEO & Managing Director, Martin Mercer, at the Australian Microcap Investor Conference in Melbourne today.

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 650 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 300 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 350 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

Australian Microcap Investor Conference

19 October 2016

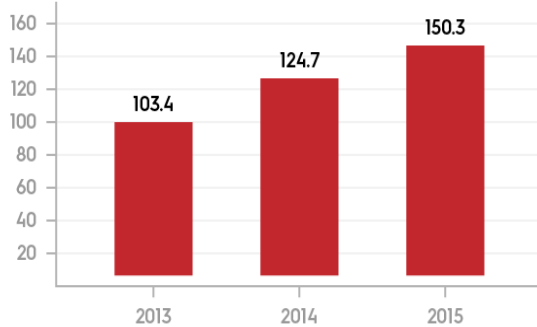


Vision and Strategy

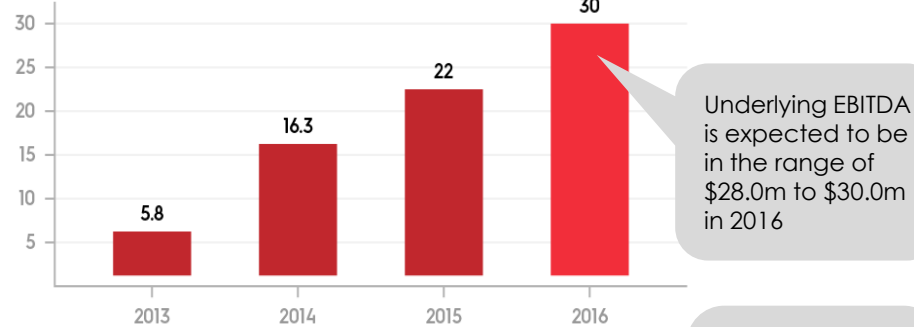
- The Internet is **revolutionising** the way business is done.
- Everything MLB does **fuels our customers' success**.
- We are the designers, the engineers and the operators of the **smartest solutions**.
- Transforming MLB into a growing **digital solutions business** with higher quality earnings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

Our Turnaround is Gathering Momentum

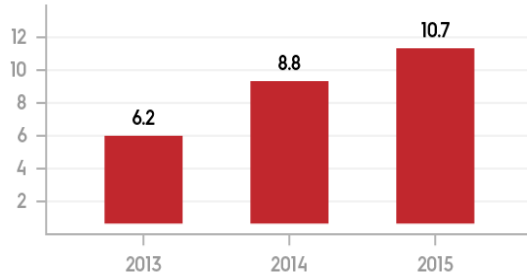
Group Revenue (\$m)



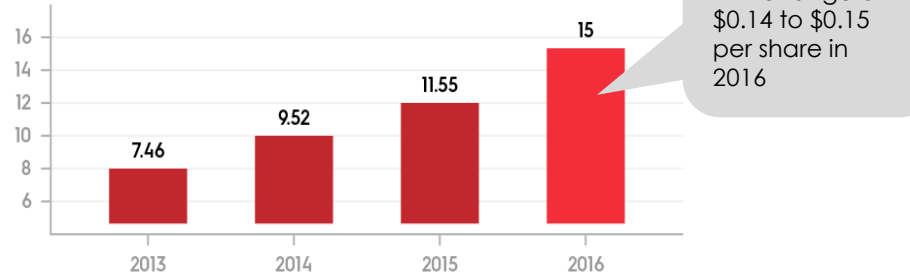
Underlying EBITDA (\$m)



Underlying NPAT (\$m)

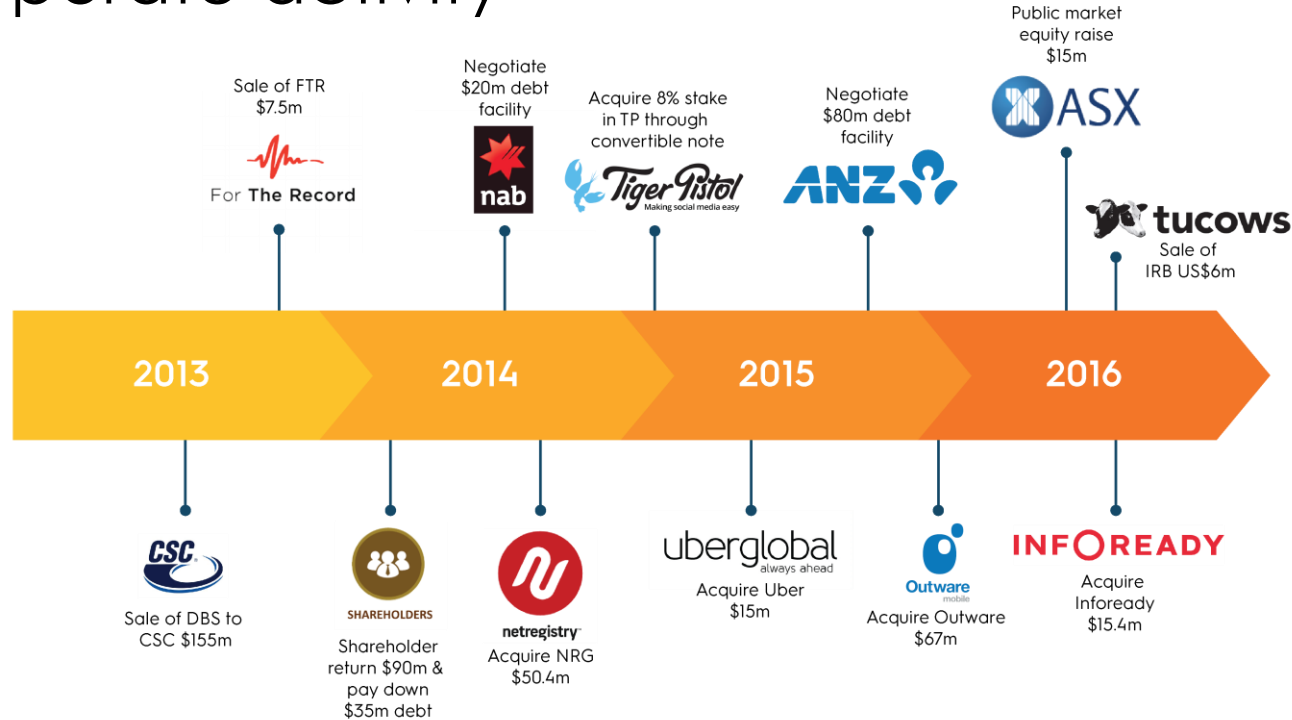


Underlying EPS (cents)



* Underlying figures have excluded transaction costs, synergy costs, 2015 warranty provision write back, 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.

Reshaping the Business: 3 years of corporate activity



2016 H1 Financials: statutory result

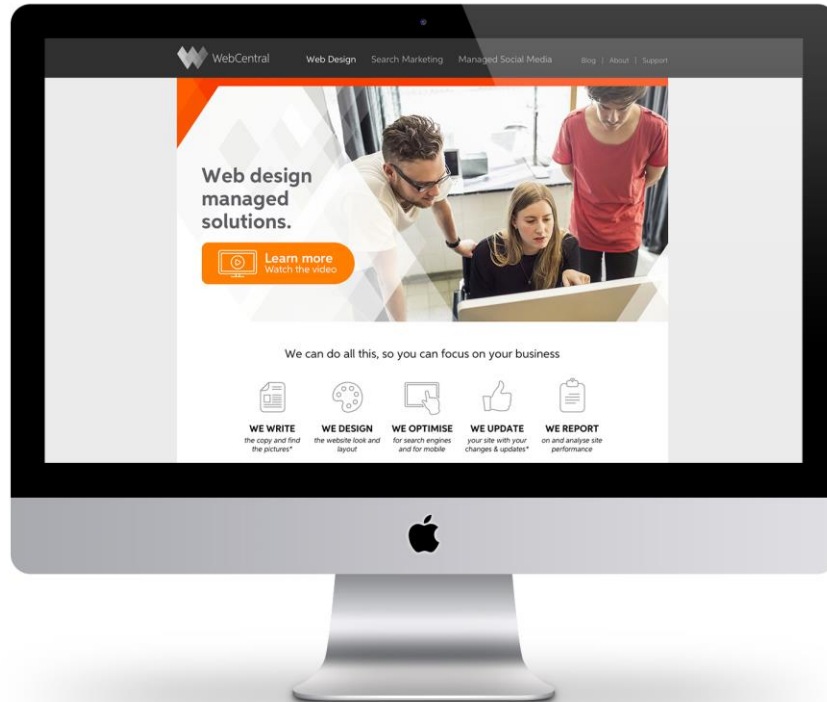
Half Year Ended 30 June 2016	H1 2016	H1 2015	↕ %	NOTES
Revenue	\$85.0m	\$69.2m	23%	Contribution from acquisitions (ie Uber Global, Outware Systems and InfoReady) and organic growth in SMB
Statutory NPAT	\$2.2m	\$1.2m	83%	
Statutory EBITDA	\$11.2m	\$5.2m	115%	Contribution from acquisitions (ie Uber Global, 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 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	

Growth Drivers: SMB



SMB

SMB: facts and figures

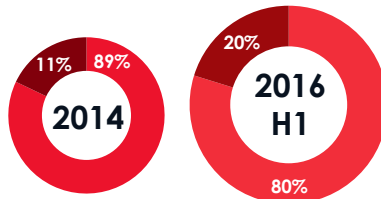
SMB

- 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: growth from solutions

SOLUTIONS MARKET

90%

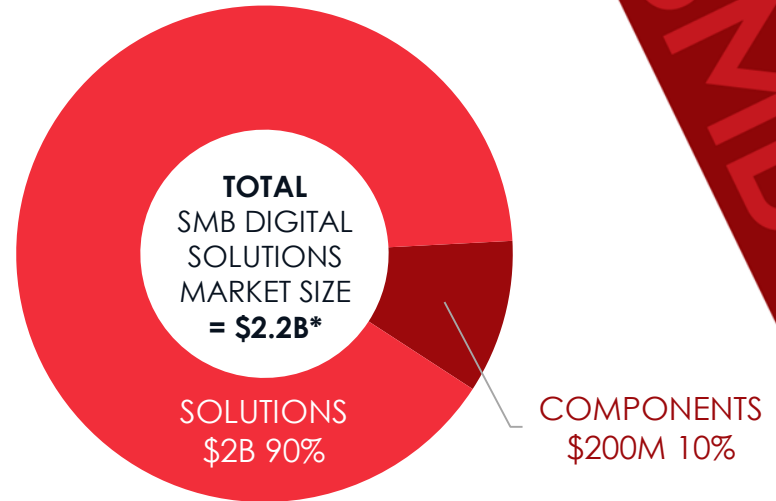
- Customers prepared to pay for solutions that meet a need or solve a problem
- Local support and Do-It-For-Me proposition
- Highly fragmented market with no major competitor in Australia
- Average ARPU \$100-\$400pm

COMPONENTS MARKET

10%

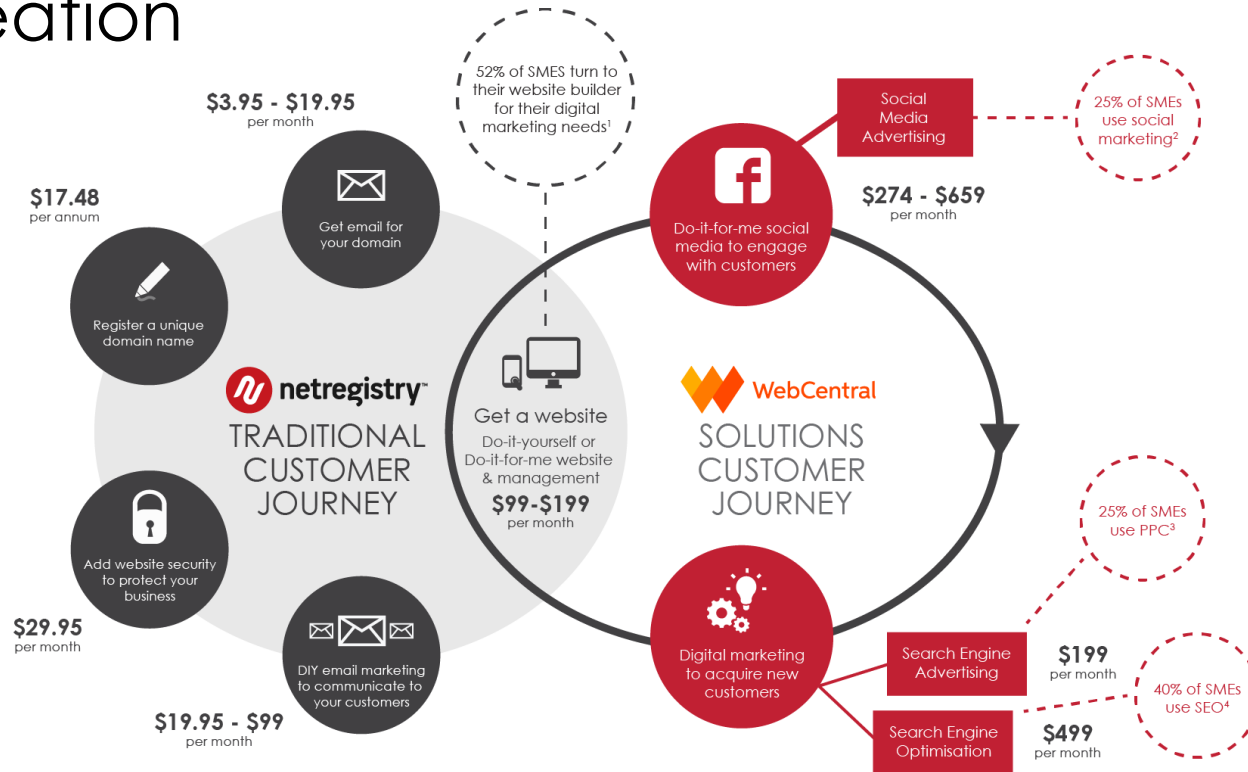
- Domains, web hosting, and email are key components for SMBs but account for only 20% of the market by value
- MIT No. 1 in the Australian market but highly competitive with large competitors driving commoditisation
- Average ARPU \$5-\$50pm

SMB Growth from Solutions



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

Customer Journeys: the key to value creation

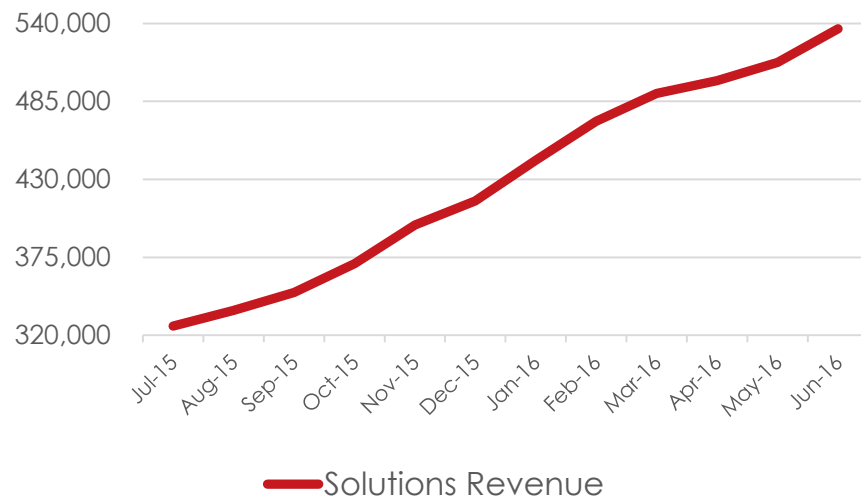


1. IPSOS: Melbourne IT Customer Web Journey Study
2. IPSOS report

3. IPSOS report
4. IPSOS report

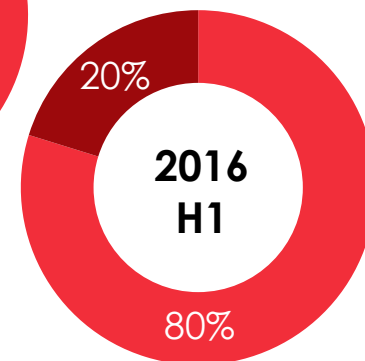
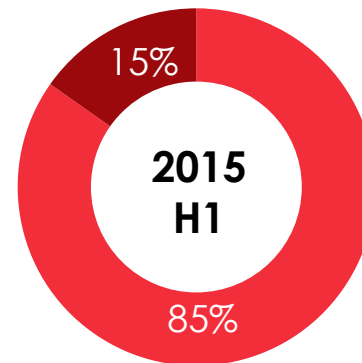
Execution: solutions revenue growing strongly

Solutions Revenue Growth



REVENUE SPLIT BY SEGMENT

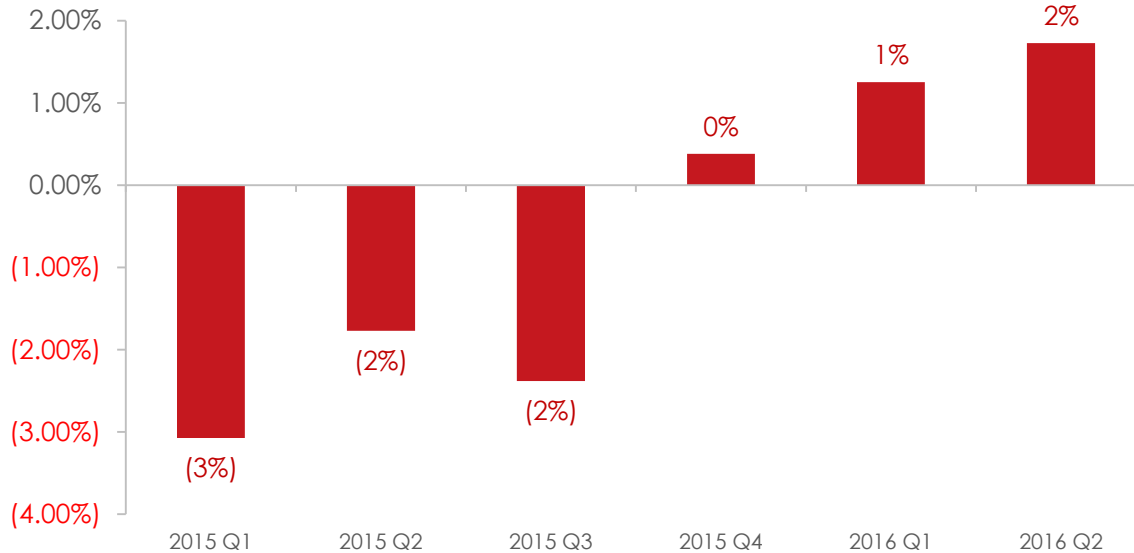
- SOLUTIONS
- COMPONENTS



SMB

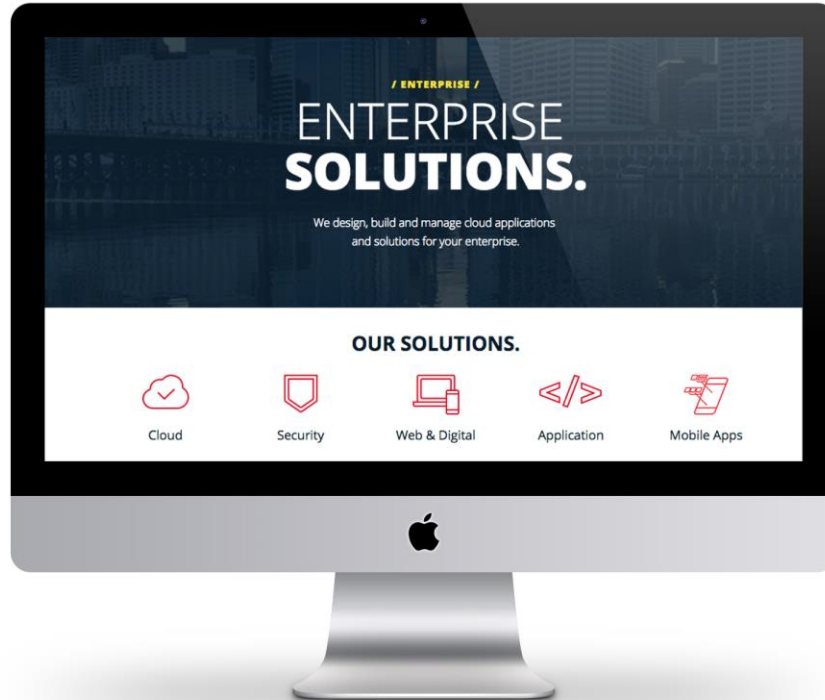
Execution: a return to organic growth

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%

Growth Drivers: Enterprise Services (ES)



ES: facts and figures

1 **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**

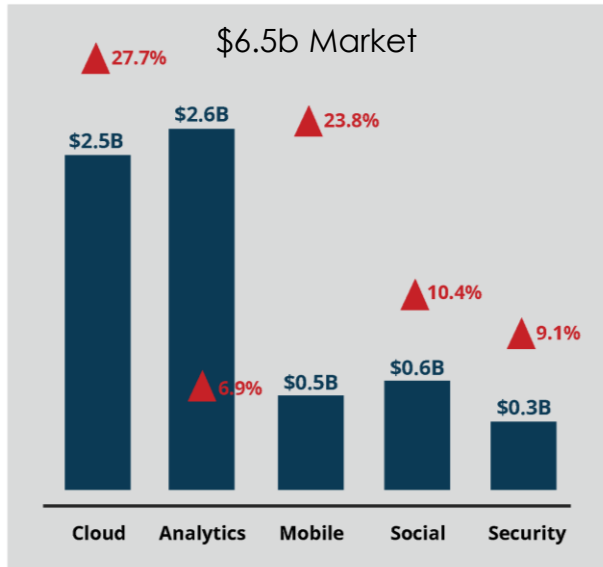


5 **Enterprise Grade.** Blue Chip customer base. Significant recurring revenues and repeatable project revenue. Governance and balance sheet suitable for Enterprise & Government customer partnering



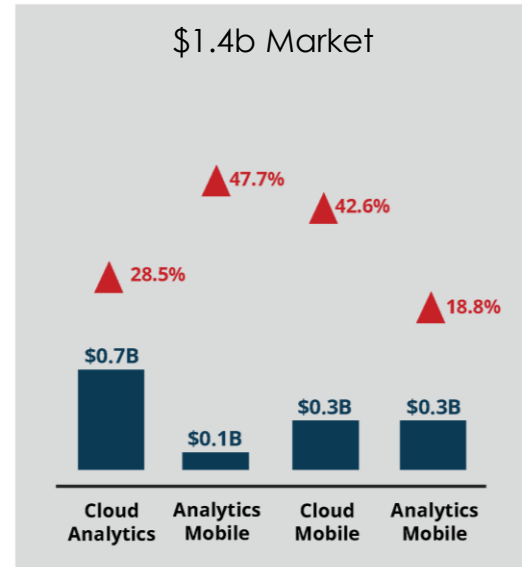
Digital Solutions: an attractive and strongly growing market

(CAMSS) FOUNDATION DIGITAL TECHNOLOGIES



+

Cloud, Analytics, Mobile Intersections



Key: ▲ Annual Growth Rate 2015

Source: IBM 2015

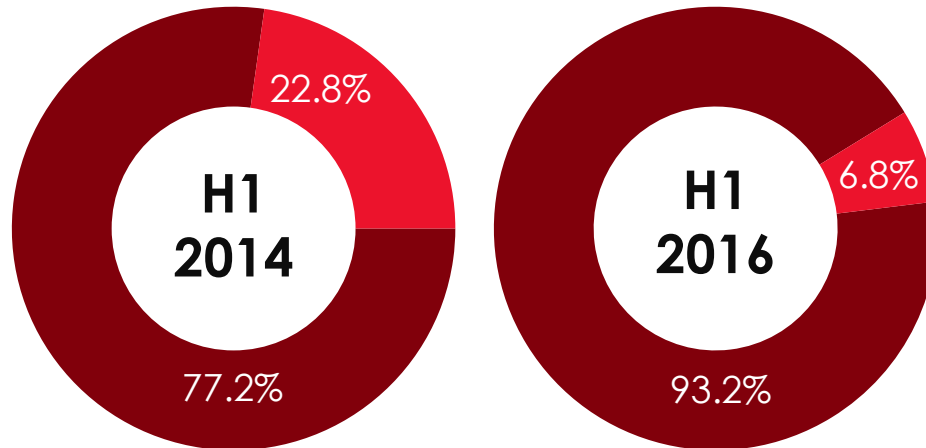
Execution: solutions driving growth

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 2014
- Expanded capabilities in cloud, security and mobile application development
- Expansion with mobile capabilities accelerates the execution of the professional services strategy

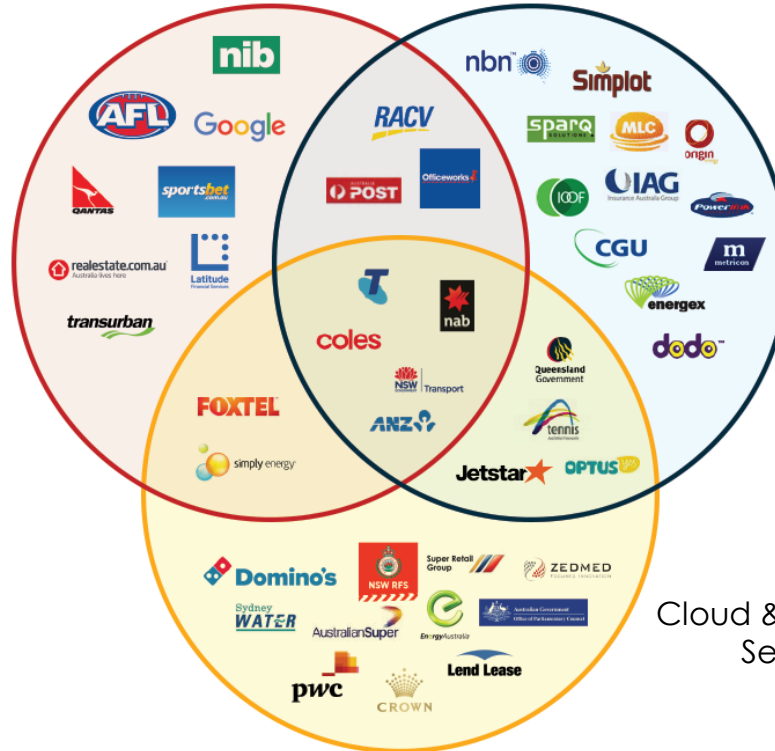
SPLIT BY SERVICES

- SOLUTIONS
- INFRASTRUCTURE



Revenue Synergies: unlocking the “intersection opportunities”

Mobile
(Outware Mobile)



Data & Analytics
(Infoready)

Cloud & Managed
Services

ES Customers: marquee brands



ES

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 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