MELBOURNE IT GROUP

FY 2016 RESULTS
INVESTOR PRESENTATION

Transforming MLB into a digital solutions business with higher quality earnings

23 February 2017

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Purpose and Vision

- We **fuel our customers' success** through the smart use of technology.
- We aspire to be Australia's **most impactful** digital technology partner.

MLB: turnaround complete

The Melbourne IT of today is almost unrecognisable from the MLB of three years ago.

In 2013 Melbourne IT sold its Digital Brand Services division and a smaller business known as For the Record. After this, Melbourne IT had two remaining business divisions; Small to Medium Business (SMB) and Enterprise Services (ES). SMB sold domain names and hosting services to small businesses, and ES sold hosting solutions (both dedicated hosting and cloud managed services) to large companies and government agencies.

In 2013, the SMB division declined by 7% in revenue terms and 35% in EBITDA terms, and the ES division declined by 6% in revenue terms and 42% in EBITDA terms. In 2014 we set about rebuilding these businesses and repairing the financial foundations of Melbourne IT.

The turnaround of MLB is complete, and entailed a top to bottom re-imagining of every aspect of the business. ES, once the poor cousin to SMB has been transformed into a rapidly growing provider of complete digital solutions for large companies and government agencies. In the three years since 2013 it has tripled in size and exits 2016 growing at approx. 25% pa. Hosting is a vanishingly small part of this business.

And while SMB has a foot remaining in its legacy domains and hosting business, its future is in managed digital marketing solutions for small businesses. Revenues from these new services already account for 20% of the division’s total revenue and are growing at 56% per annum. In a major milestone, SMB returns to organic growth in 2017.

If the last three years have been characterised by the hard and painstaking work of rebuilding and transformation, the future will be characterised by innovation and accelerating organic growth.

Priorities: mission accomplished

We have achieved the three priorities that underpinned our turnaround. The future is all about growth.

Priority	Status	Comment
Return SMB to Growth	✓	We have repaired the legacy domains and hosting business and succeeded in developing a new "managed marketing solutions" business. Solutions revenue now accounts for 20% of total SMB revenue and is growing at 56%pa. SMB enters 2017 growing at the top and bottom lines.
Accelerate the Transformation of ES	✓	ES is well on its way to becoming Australia's most impactful digital technology partner for the enterprise market. Over the past three years ES has tripled in size. In 2016 revenue grew 73% while EBITDA grew 87%. ES expects to enjoy strong growth in 2017.
Realise Synergy Savings	✓	The acquisitions of Netregistry (Feb 2014) and Uber Global (April 2015) were expected to deliver combined synergy savings of $10M ($5M by the end of 2015, another $2.5M in 2016, and the final $2.5M in 2017). At the end of 2016 we had realised $8.5M of savings ($1.0M more than originally targeted) and have clear line of sight to the remaining $1.5M.

FY 2016 Result: highlights

- Consistent execution against a clearly defined strategy is driving strong growth.
- **68% growth** in EBITDA H2 on H1.
- Strong growth supports **60% increase in dividend (now fully franked).**

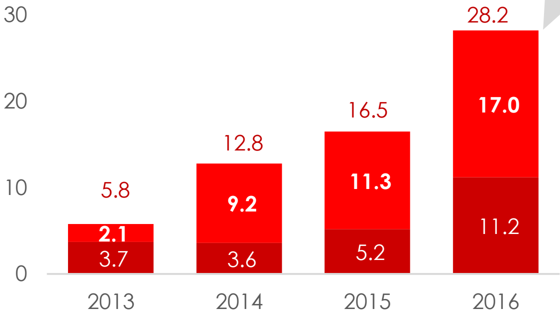
Year Ended 31 December 2016	2016	2015	⇕ %	Guidance Range	Guidance Achieved
Revenue	$168.4m	$150.3m	12%		
Reported EBITDA	$28.2m	$16.5m	71%	$26m - $28m	✓✓
Underlying EBITDA	$28.4m	$22.0m	29%	$28m - $30m	✓
Underlying EPS (cents)	14.2	11.6	22%	14.0 – 15.0	✓
Dividend (cents per share)	8.0	5.0	60%	55% - 75%	75%

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

Growth: consistently strong growth

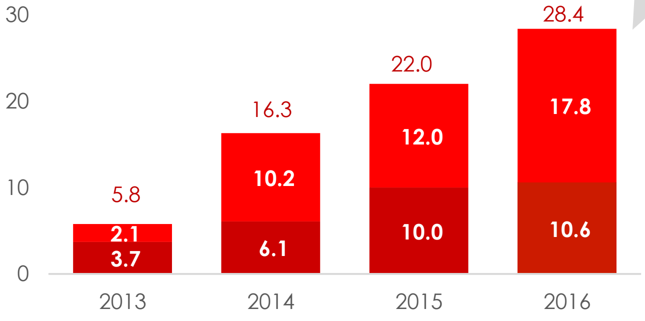
Reported EBITDA ($m)

3YR CAGR 69%



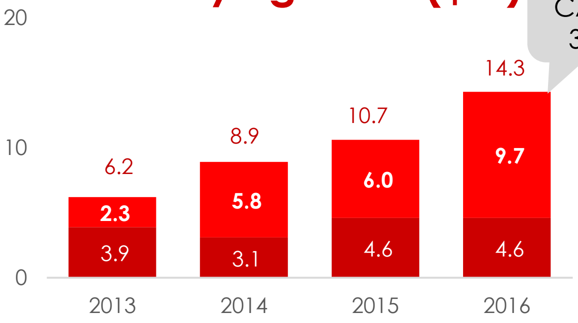
Underlying EBITDA ($m)

3YR CAGR 70%



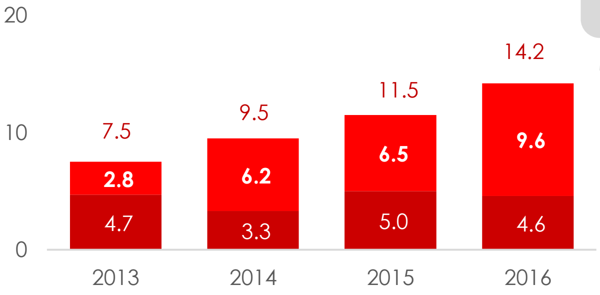
Underlying NPAT ($m)

3YR CAGR 32%



Underlying EPS (cents)

3YR CAGR 24%



H2
H1

Underlying financial information presented adjusts for one-off and non-recurring costs and the pro forma impacts of acquisitions and divestments made in the financial period as outlined in the previous slides.

FY 2017 Outlook: strong growth to continue

Organic growth will drive another strong year in 2017

Measure	Range	⇳ %[1]	Comment
Underlying EBITDA	\$31M - \$34M	15%/20%[2]	Includes investment of \$1.7M in 2017 to support the growth of the business, including \$400K in new roles in Shared Services to keep up with the growth in the business, \$300K in data analytics to support growth in SMB, \$1M to ensure sustainable growth in the rapidly growing ES business.
Underlying EPS	\$0.15 - \$0.17	13%	
Dividend	55% - 75%	N/A	Dividends in FY 2017 will be determined by reference to a payout ratio in the range of 55% to 75% of reported NPAT.

1. Change on last year calculated from the mid-point of the guidance range and last year's actual result
2. 20% growth after adjusting for \$1.7M incremental investment

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

FY 2016: reported result

Year Ended 31 December 2016	2016	2015	⇕ %	Notes
Revenue	$168.4m	$150.3m	12%	Contribution from acquisitions (full year from Uber Global and Outware and 9 months from Inforeadу), combined with organic growth in ES and SMB, partially offset by the sale of the IDNR business (March 2016).
EBITDA	$28.2m	$16.5m	71%	Organic growth and contributions from acquisitions (as above), as well as a one-off gain on sale of the IDNR business ($2.4M), offset by one-off acquisition and integration costs.
NPAT	$10.7m	$5.6m	91%	Organic growth and contributions (as above) as well as growth in ownership stake of Outware from 50.2% to 75.1% in August 2016.
EBITDA Margin	17%	11%	55%	Acquisition of higher EBITDA margin businesses and sale of lower EBITDA margin IDNR business
EPS (cents)	10.86	6.04	80%	EPS growth lower than NPAT growth due to more shares on issue following equity raise in March 2016

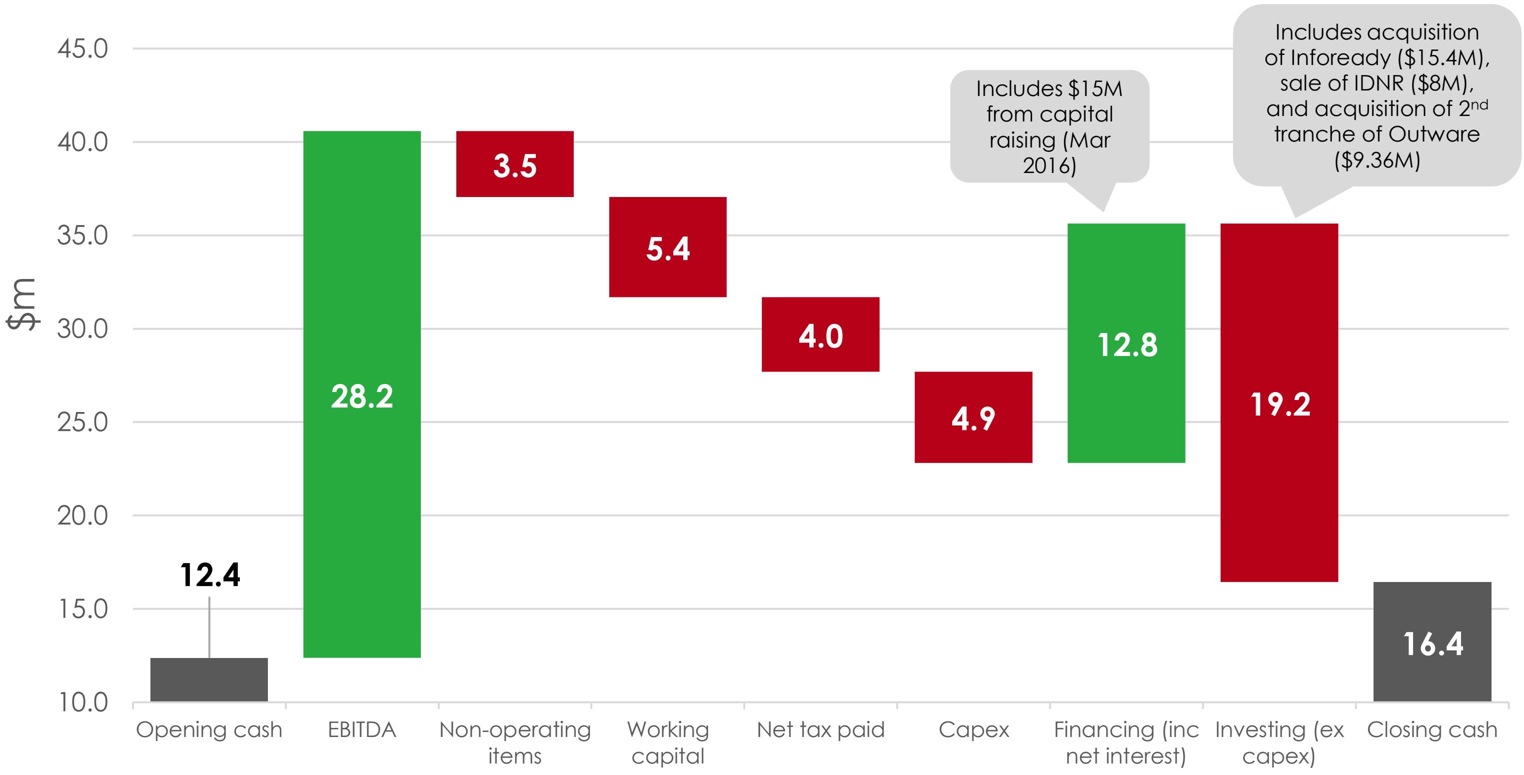
Figures throughout this document may not be exact due to rounding and includes non-IFRS financial information that is relevant for users understanding the underlying performance.

FY 2016: underlying EBITDA

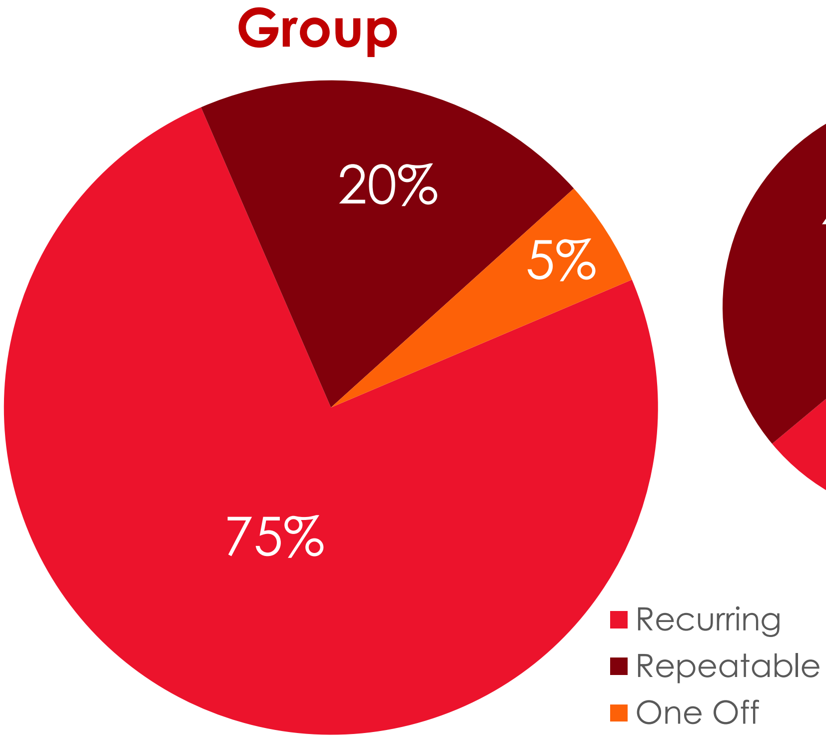
Year Ended 31 December 2016	2016	2015	Notes
Reported EBITDA	**$28.2m**	**$16.5m**	
Adjustments to calculate underlying EBITDA			
1. Transaction costs	$0.6m	$2.0m	One off transaction costs incurred for acquisitions
2. Synergy costs	$3.0m	$1.5m	One off cost of delivering synergies
3. au.com provision	-	($1.1m)	Write back of NRG pre-acquisition provision in FY15
4. Additional contribution from acquisitions*	$0.6m	$3.1m	Contribution prior to acquisition for InfoReady (March 2016), Outware (June 2015) and Uber (April 2015)
5. Contribution of IDNR business prior to sale	($0.1m)	-	Three months' EBITDA contribution from IDNR business sold in March 2016
6. Other non-operating income	($1.6m)	-	Relates to reassessment of Outware dividend liability and InfoReady contingent consideration liability
7. Other non-operating expenses	$0.1m	-	
8. Gain on sale of IDNR business	($2.4m)	-	
Underlying EBITDA	**$28.4m**	**$22.0m**	After reversing impact of material one-off items and as if all acquisitions are owned for the full 2016 year.

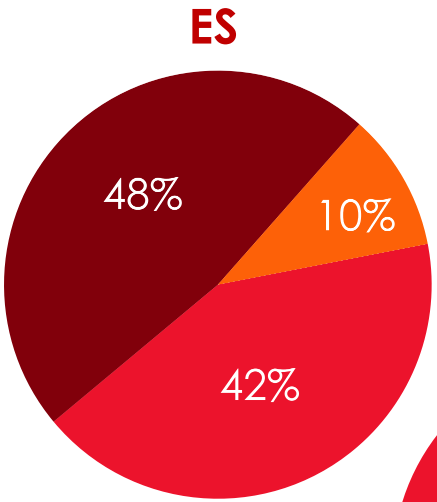
*as if all businesses owned since 1 Jan – ie additional EBITDA contributions up to completion not already included in Statutory EBITDA. Included to assist investors to estimate full year profit. Figures on this page reflect managements best estimate and have not been audited. They may not be exact due to rounding and include non-IFRS financial information that is relevant for users understanding the underlying performance.

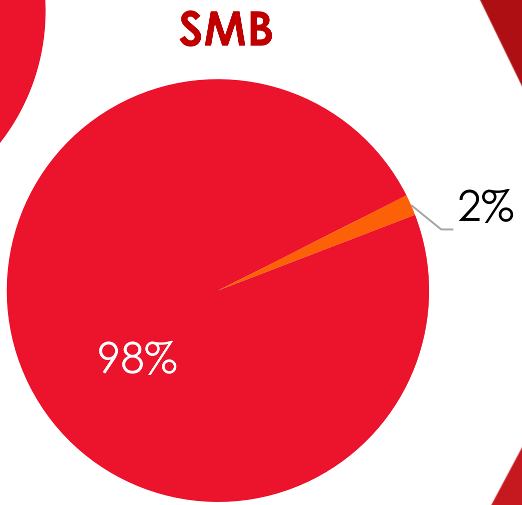
FY 2016: cash movement



Revenue: maintaining revenue quality while transitioning to a solutions business







Definitions: 1. **recurring** revenue is contracted annuity income, 2. **repeatable projects** are instances where we have been consistently billing the same customer for 2 or more years, 3. **one-off project revenue** is where we do a piece of work for a customer and there is no follow on business

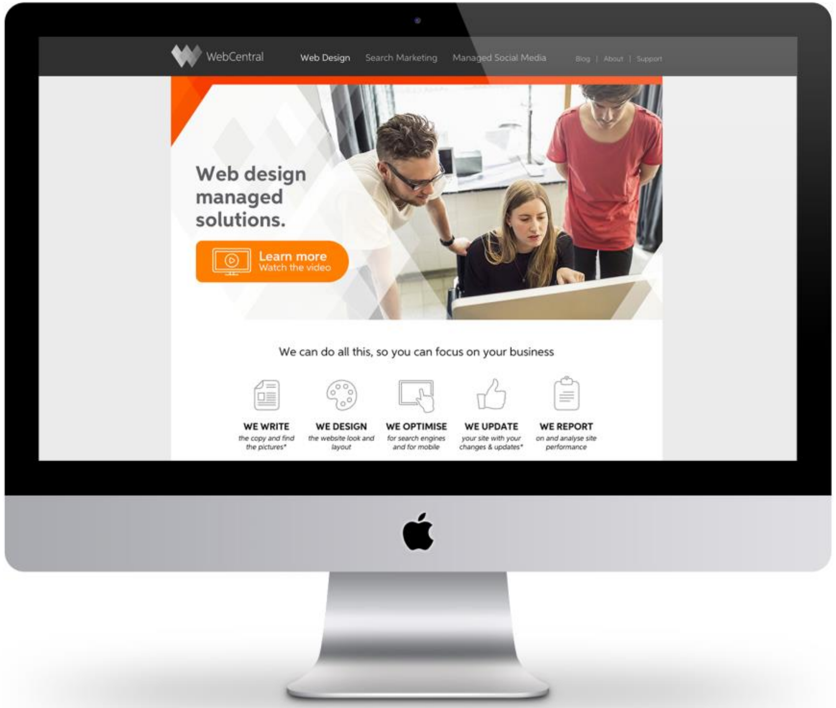
Recent Acquisitions: value accretion

Acquisitions have played a key role in the growth of recent years. We are establishing a track record of acquiring well and integrating effectively.

Company	Consideration $M	Initial Multiple[1]	Final Multiple[2]	Strategic Fit	Synergies[5]	Integration
Netregistry (Feb 2014)	$50.4m	10.1	4.0	Scale economies in legacy business	✓	75%
Uber (Apr 2015)	$14.9m	7.5	3.3	Scale economies in legacy business	✓	✓
Outware (June 2015)	$57.8m[3]	8.6	4.7	Acquisition of unique capability	✓	✓
InfoReady (Mar 2016)	$15.4m	4.5	<4.5[4]	Acquisition of unique capability	✓	✓

1. For Netregistry and Uber Initial multiple represents the ratio of total consideration to EBITDA at acquisition date. For Outware and Infoready, initial multiple is the implied forward multiple as advised at the time of the acquisition – the final multiple would only be known at the end of the earnout period.
2. For Netregistry and Uber, final multiple represents the ratio of total consideration to EBITDA after realised synergies to date. For Outware and InfoReady, final multiple is calculated using forecast FY17 EBTIDA.
3. Accounting consideration of $60.6m represents total consideration of $57.8m plus cash vendors share of cash at time tranches 2 & 3 acquired.
4. Final multiple won't be known until the end of the earnout period in 31 March 2019 but the way the earn out is structured it will always be less than 4.5x
5. For Netregistry and Uber there were material cost synergies to be realised whereas for Outware and Infoready the focus is on revenue synergies from developing cross practice solutions and cross selling to respective customer bases.

SMB: segment results and performance



SMB

SMB: operational highlights

- SMB continues positive growth momentum exiting 2016 with **4% YoY revenue growth** (normalised for IDNR sale and Uber acquisition)
- **Solutions** revenues growing strongly – **56% YoY growth** with website creation and Social Media solutions growing 83% and 246% YoY respectively
- After three years of decline, **Indirect** business revenue grew by 1% - selling the low margin IDNR business in March 2016 has driven **normalised EBITDA YoY growth of 13%**
- Tier 1 Microsoft CSP (Cloud Service Provider) and nominated for Global 'Market Maker' programme based on the strength of the Office 365 customer experience
- Google Certified AdWords partner (accredited in May)
- Emma Hunt appointed to newly created role of EGM SMB bringing increased focus to SMB
- Investing in talent with strong Marketing and Product capability to further accelerate Solutions growth

SMB

SMB: segment result

Full Year Ended 31 December 2016	2016	2015	⇕ %	NOTES
Revenue	$97.8m	$109.2m	(10%)	Reduction in revenue due to sale of IDNR business ($15.1m), partially offset by contribution from acquisition of Uber ($4.1m) and growth in solutions product offerings, replacing decline in components revenue.
Gross Margin	$57.1m	$58.6m	(3%)	Margins ($) have been impacted by the sale of IDNR, and continued decline in high margin components products.
Gross Margin %	58%	54%	7%	Improved margin % (up 4 basis points) due to sale of lower margin IDNR business.
Operating Expenses	$41.4m	$42.3m	2%	Lower expenditure as a result of synergy savings as well as tight cost management across the business.
EBITDA**	$15.7m	$16.3m	(4%)	
EBITDA % Margin	16%	15%		

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

SMB: segment result (continuing operations)

Year Ended 31 December 2016	2016	2015	⇕ %	NOTES
Revenue	$92.5m	$88.8m	4%	Growth in new product offerings together with stabilising legacy domains and hosting revenue.
Gross Margin	$56.6m	$55.6m	2%	
Operating Expenses	$41.0m	$41.6m	1%	Lower expenditure as a result of synergy savings as well as tight cost management across the business.
EBITDA**	$15.6m	$14.0m	11%	
EBITDA % Margin	16%	15%		

* Contribution from IDNR business has been removed from 2015 and 2016 results.
** Includes non-IFRS financial information that is relevant for users understanding the underlying performance of the business.

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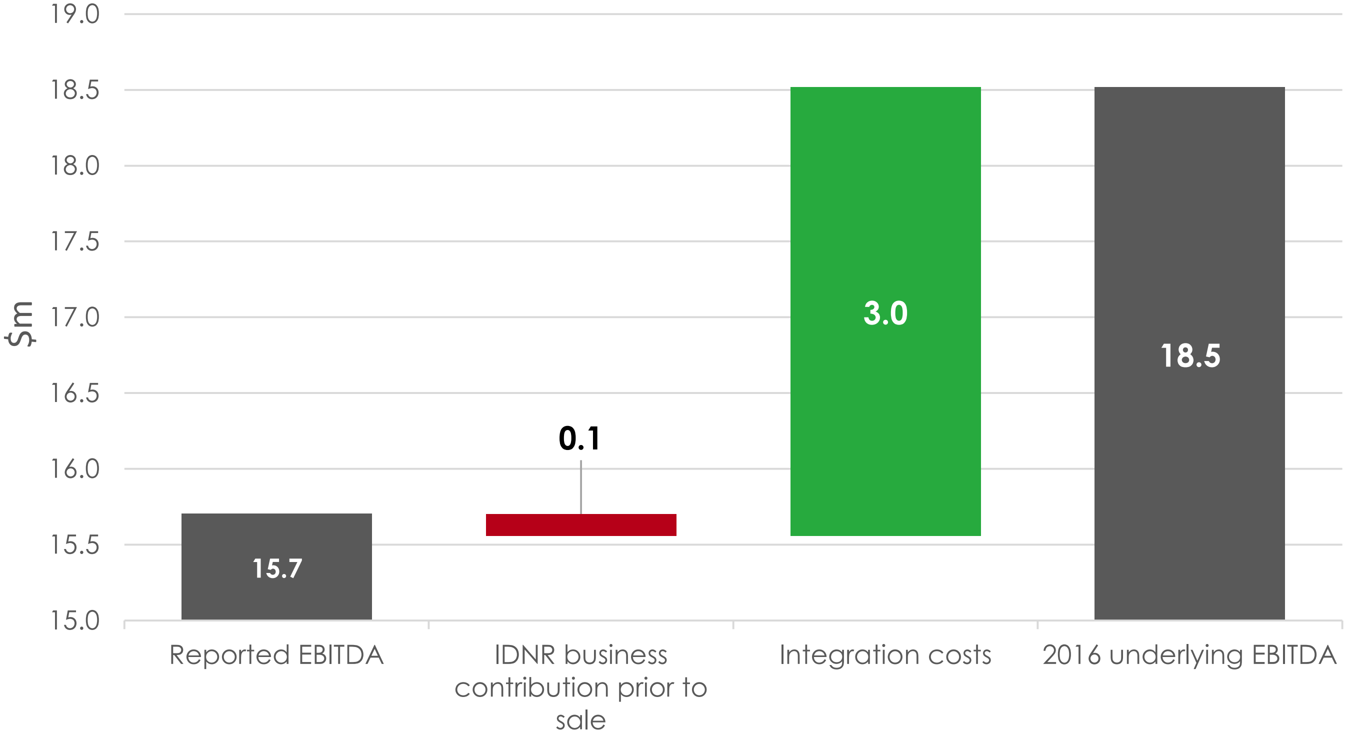
SMB

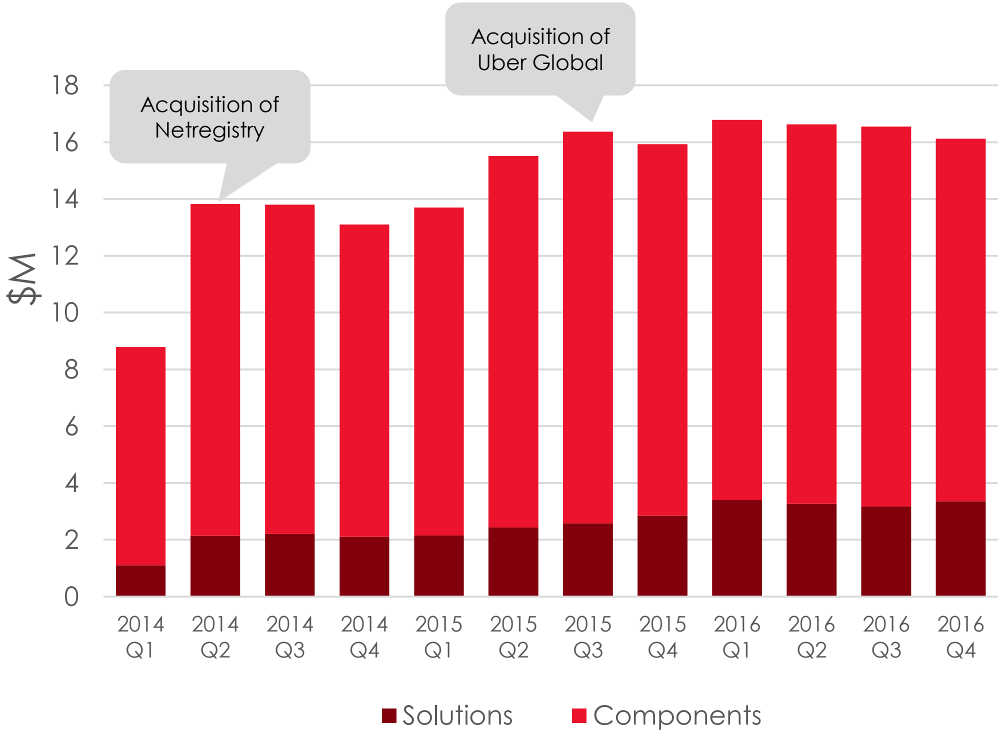
SMB: underlying EBITDA



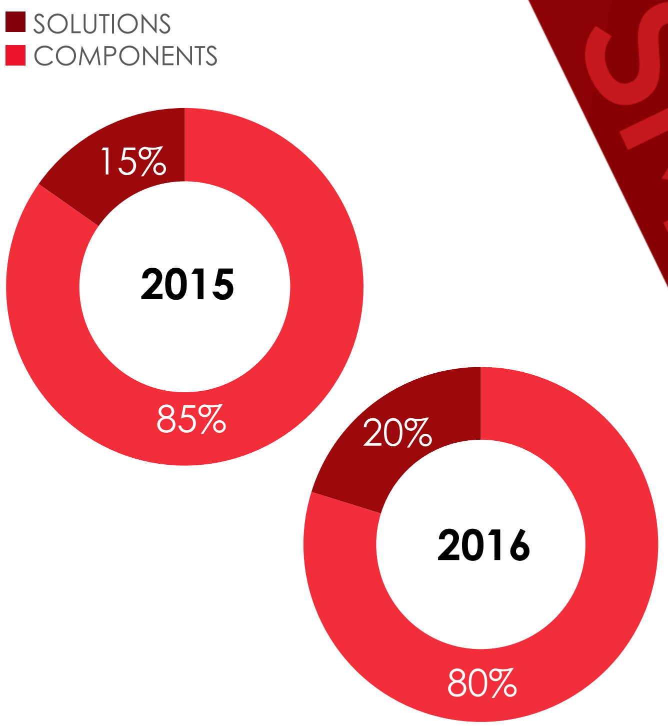
** Includes non-IFRS financial information that is relevant for users understanding the underlying performance of the business.

Execution: revenue growth

Direct Revenue - Components vs Solutions

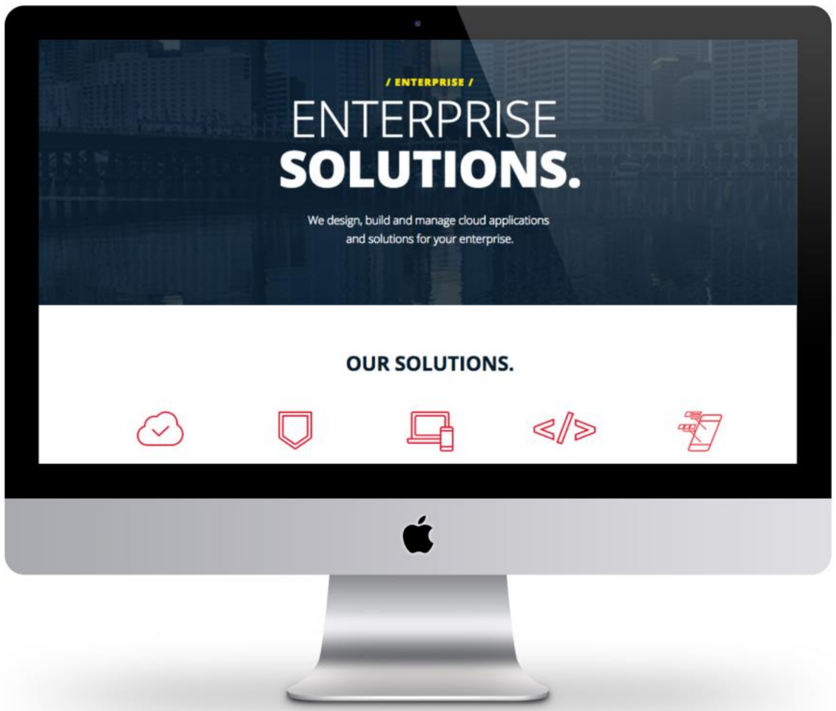


REVENUE SPLIT BY SEGMENT



SMB

ES: segment results and performance



ES

ES: operational highlights

- **Key customer wins** including Crown, REST Superannuation, Jetstar, Officeworks & Peoplecare;
- 40% of the ASX Top 20 are ES customers;
- **Acquired** leading data and analytics business **Inforeaady**;
- Relocated acquired businesses (Outware & Infoready) into Melbourne IT offices with **integration activities already proceeding** within sales and shared services functions;
- AWS Premier Partner recertification, AWS Marketing Competency achieved, AWS Public Sector achieved, AWS Security Competency launch partner;
- IBM Commercial Sector Partner of the Year, Design100 Best App Design Studio for the 4th consecutive year;
- **Re-signed largest customer** (QLD DET) for another three year term.

ES

ES: segment result

Full Year Ended 31 December 2016	2016	2015	⇕ %	KEY NOTES
Revenue	$70.4m	$40.7m	73%	Full year contribution from Mobile practice (6.5 months FY15) and nine months from Analytics practice driving growth
Gross Margin	$36.8m	$25.1m	47%	Increased margin due to contributions from acquisitions
Gross Margin %	52%	62%	(16%)	Acquisition of Analytics practice, which traditionally operates at a lower gross margin (than Mobile and Cloud practice)
Opex	$22.2m	$17.5m	27%	Full year contribution from Mobile practice (6.5 months FY15) and nine months of costs from acquired Analytics practice
EBITDA**	$14.6m	$7.6m	87%	
EBITDA % Margin	21%	19%		Increased profitability due to strong revenue growth leveraged off a fixed cost base

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

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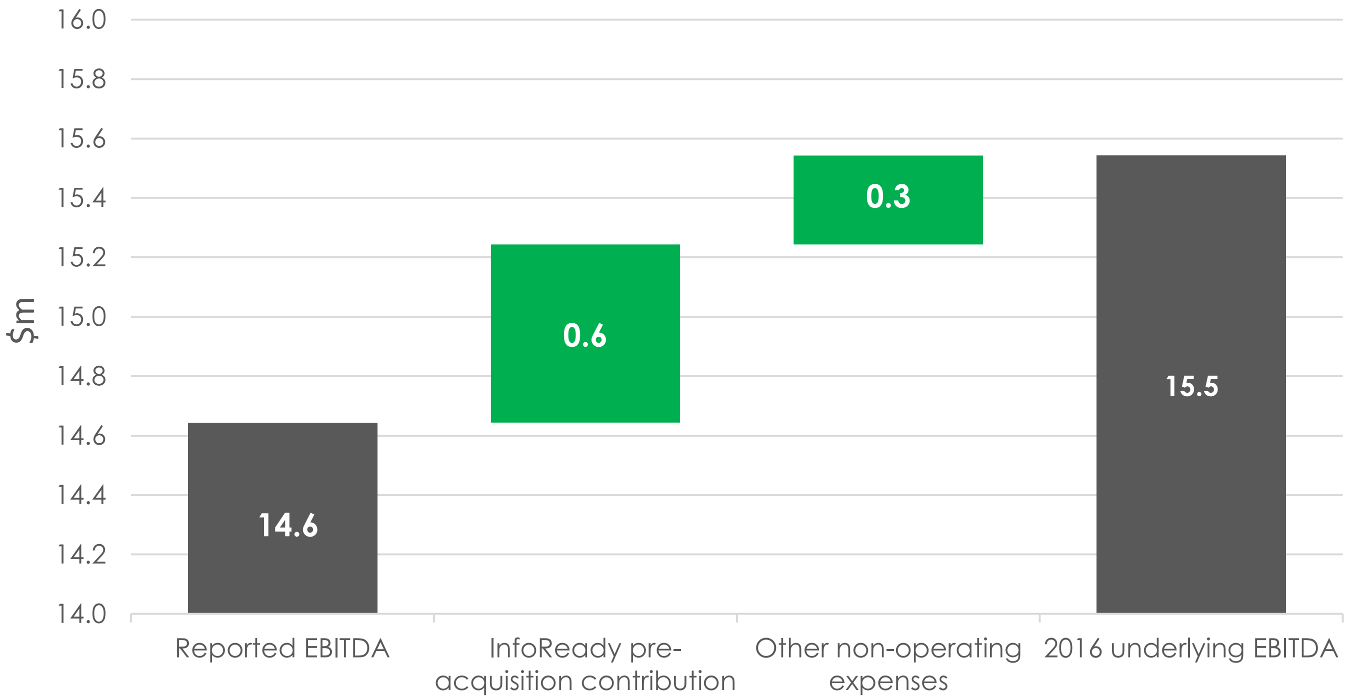
ES

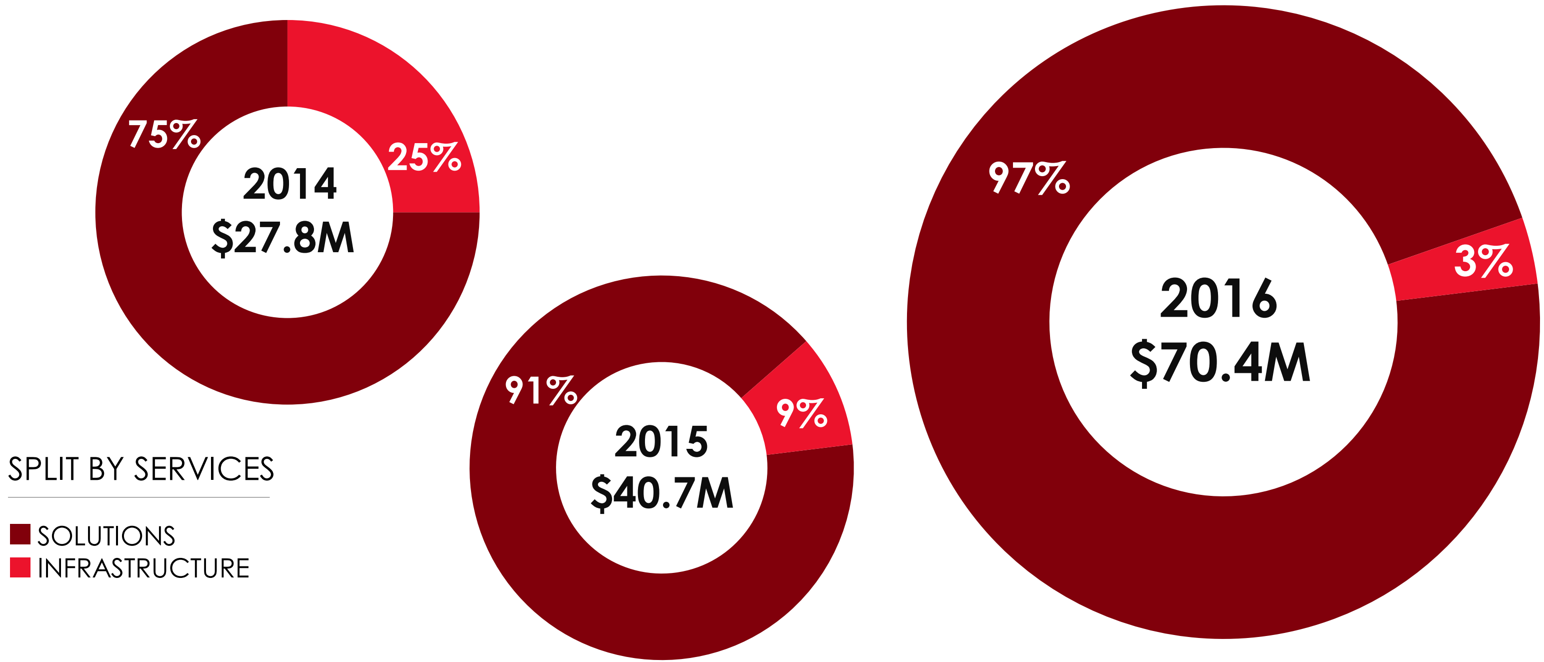
ES: underlying EBITDA



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

Execution: solutions driving growth

- Low value data centre infrastructure churn has bottomed out
- ES continues to successfully execute on its digital solutions strategy



ES

Summary

1. Turnaround complete;
   - $8.5M of synergy savings and clear line of sight to the remaining $1.5M,
   - SMB exits 2016 with good organic growth driven by strong performance in new solutions products
   - ES tripled in size in past three years, in 2016 revenue grew 73% and EBITDA 87%
2. Strong FY 2016 results validate "digital solutions" strategy;
   - Revenue up 12%, reported EBITDA up 71%, NPAT up 91%, and underlying EBITDA up 29%
3. Continuation of strong growth expected in 2017;
   - Underlying EBITDA of $31m - $34M, up 15% YoY
   - underlying EPS of 15c – 17c, up 13% YoY
4. Strong free cash flow driving debt reduction and increased returns;
   - Debt peaks in June and strong cash generation sees it reduce progressively over 2017
   - Final dividend of 6c up 50% on 2015, total dividend of 8c up 60% on 2015

Glossary

Capex	Capital expenditure
ES	Enterprise Services, a division of the Melbourne IT Group focusing on cloud, mobile and data analytics services for enterprise customers
FY15	Financial year ended 31 December 2015
FY16	Financial year ended 31 December 2016
FY17	Financial year ending 31 December 2017
IDNR	International Domain Name Registration business, sold by Melbourne IT to Tucows Inc. in March 2016
MIT	Melbourne IT Group, consisting of Melbourne IT Limited and its controlled entities
NCI	Non-controlling Interest
NRG	Netregistry Pty Ltd, acquired by MLB in February 2014
SMB Solutions	A division of the Melbourne IT Group focusing on web services to small to medium sized businesses
Reported EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation. A non-IFRS financial metric included in this presentation that is relevant for users understanding the underlying performance of the Melbourne IT Group
Reported NPAT	Net Profit after Taxation. Prepared on a statutory basis in accordance with the Australian equivalents of International Financial Reporting Standards
Reported EPS	Earnings per Share. Prepared on a statutory basis in accordance with the Australian equivalents of International Financial Reporting Standards
Underlying EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation. A non-IFRS financial metric included in this presentation that is relevant for users understanding the underlying performance of the Melbourne IT Group. Underlying EBITDA adjusts for one-off and non-recurring costs and the pro forma impacts of acquisitions and divestments made in the financial period

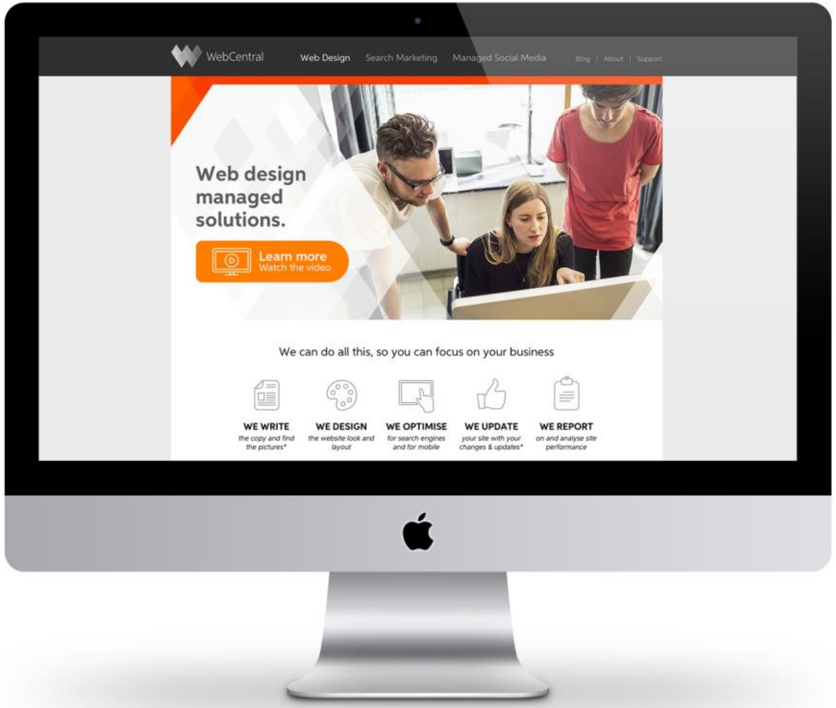
Glossary (cont'd)

Underlying NPAT	Net Profit after Taxation - A non-IFRS financial metric included in this presentation that is relevant for users understanding the underlying performance of the Melbourne IT Group. Underlying NPAT adjusts for one-off and non-recurring costs and the pro forma impacts of acquisitions and divestments made in the financial period
Underlying EPS	Earnings per Share. A non-IFRS financial metric included in this presentation that is relevant for users understanding the underlying performance of the Melbourne IT Group. Underlying EPS adjusts for one-off and non-recurring costs and the pro forma impacts of acquisitions and divestments made in the financial period
Solutions	Product offerings within SMB Division, including search engine optimisation, website development and social media marketing
CAGR	Compound annual growth rate
Uber/ Uber Global	Uber Global Pty Ltd, acquired by Melbourne IT in April 2015
Outware	Outware Systems Pty Ltd, acquired by Melbourne IT in June 2015
InfoReady	InfoReady Pty Ltd, acquired by Melbourne IT in March 2016
EGM	Executive General Manager
QLD DET	Queensland Department of Education and Training
YoY	Year on year

Appendix
SMB and ES Divisional Strategies

Date 23 February 2017

SMB: strategy and execution



SMB

SMB: strategy

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The Past: domains and hosting

MLB is **the leading Australian domains and hosting business** with over 40% share of volume and 50% revenue market share. But the domains and hosting market has been commoditised in recent years. Margins have been compressed and growth is slowing dramatically. This legacy business is unlikely to be a source of growth. We are **re-investing the cash from this business** in a wide open opportunity **in managed marketing solutions** for small business customers.

The Future: growth from solutions

The market for **managed marketing solutions for SMBs is 10x the size of the domains and hosting market and is growing at more than 10% pa**. Our SMB division is perfectly positioned to tap into this market. We are there at the beginning of a business's online journey; a domain name is their address on the internet and the fundamental building block for their online presence. We acquire more than 3000 new small business customers each month, half of whom will get a website within 12 months. In addition we have approx. 500 000 small business customers, half of whom don't have a website.

Our strategy is to support small businesses on their online journey and to help them succeed online. We will sell them their domain name, we will build their website, and we will manage their online marketing campaigns to drive traffic to their website and to generate leads. **We will take a customer who used to spend $100pa with us and turn them into a customer who spends $6000pa with us**.

Today

This strategy is already bearing fruit. Revenue from new solutions services already accounts for 20% of SMB revenue and it is growing at 56% pa. The combination of solutions growth and the optimisation of domains and hosting sees **SMB enter 2016 riding on the tide of organic growth**.

SMB: growth from solutions

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SOLUTIONS MARKET

90%

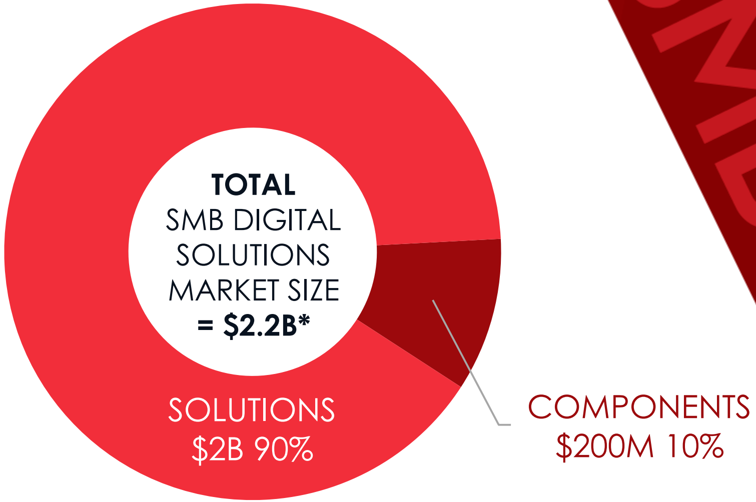
- Customers prepared to pay for solutions that meet a need or solve a problem
- Local support and Do-It-For-Me proposition
- Highly fragmented market with no major competitor in Australia
- Average ARPU $100-$400pm

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

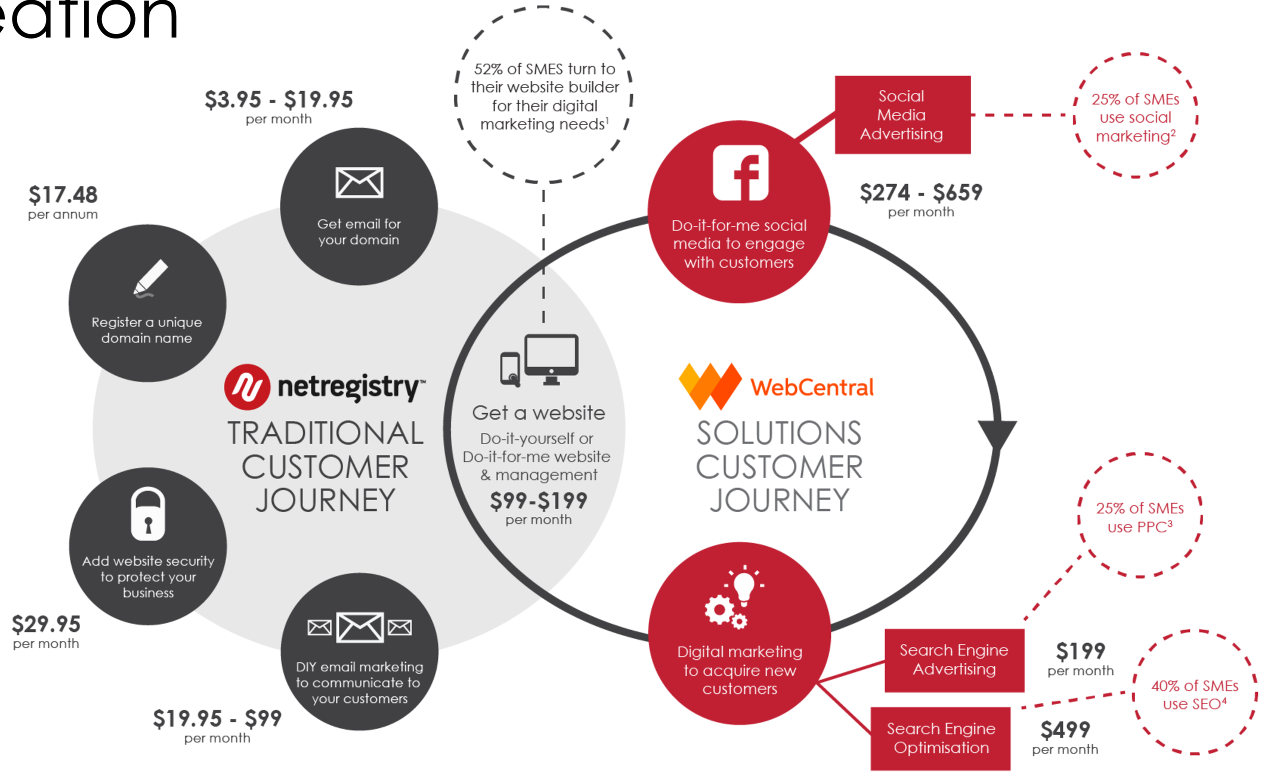
SMB Growth from Solutions



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

SMB

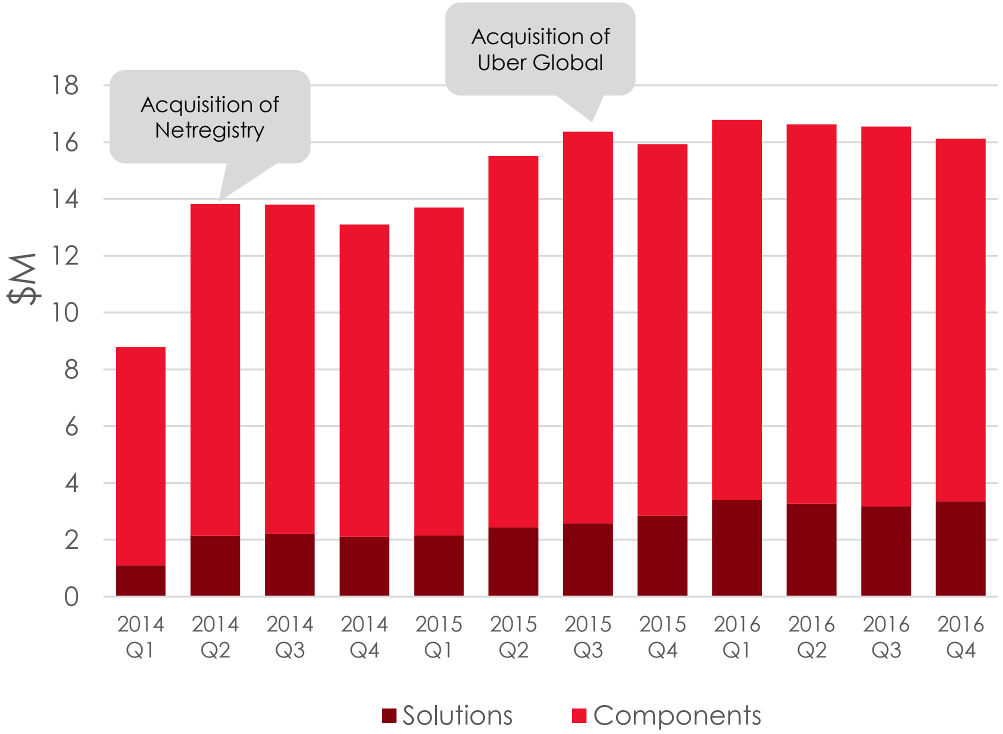
Customer Journeys: the key to value creation



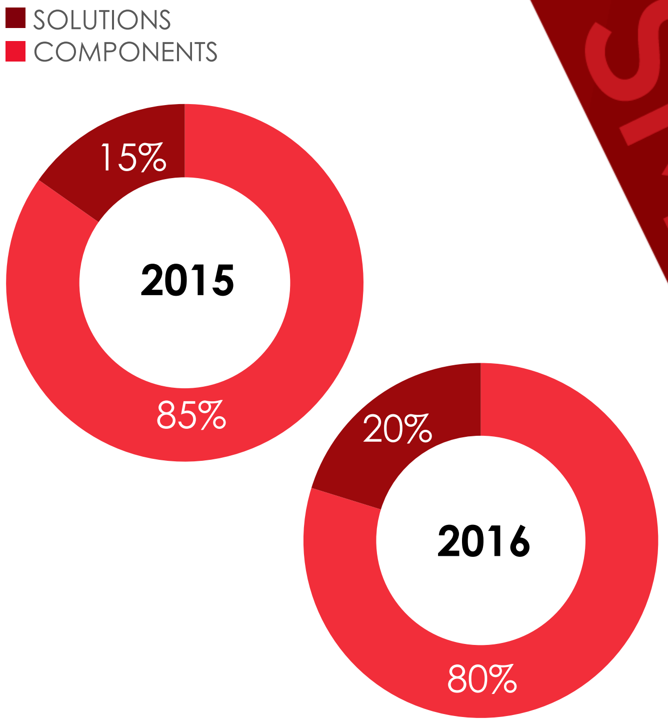
1. IPSOS: Melbourne IT Customer Web Journey Study
2. IPSOS report
3. IPSOS report
4. IPSOS report

Execution: revenue growth

Direct Revenue - Components vs Solutions

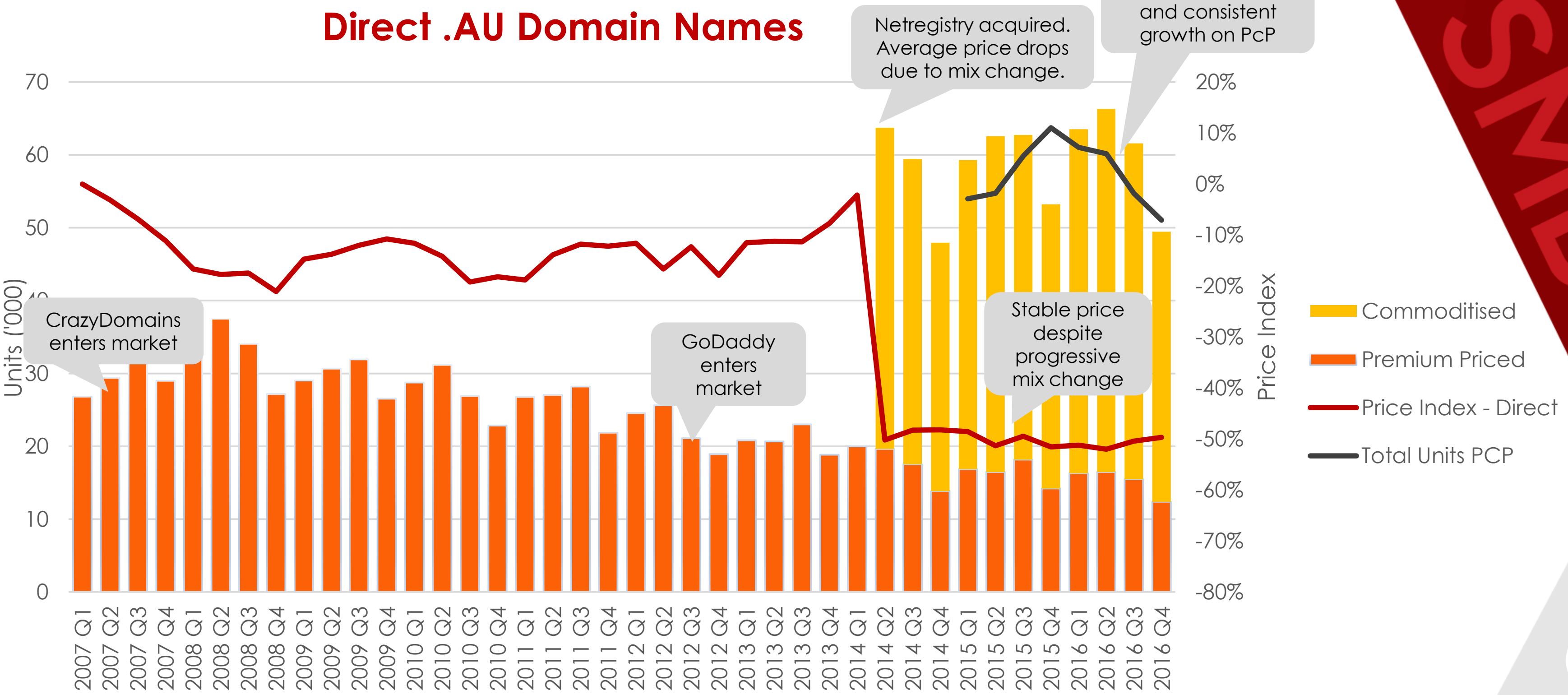


REVENUE SPLIT BY SEGMENT



SMB

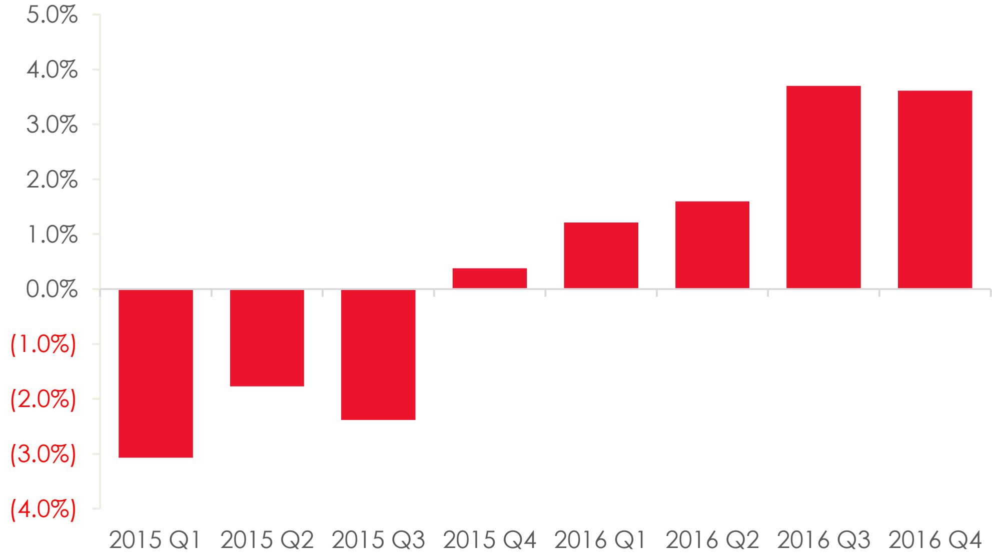
Execution: stable domain name revenue and volumes



SMB

Execution: solutions revenue driving growth

SMB Direct Revenue Growth (pcp)

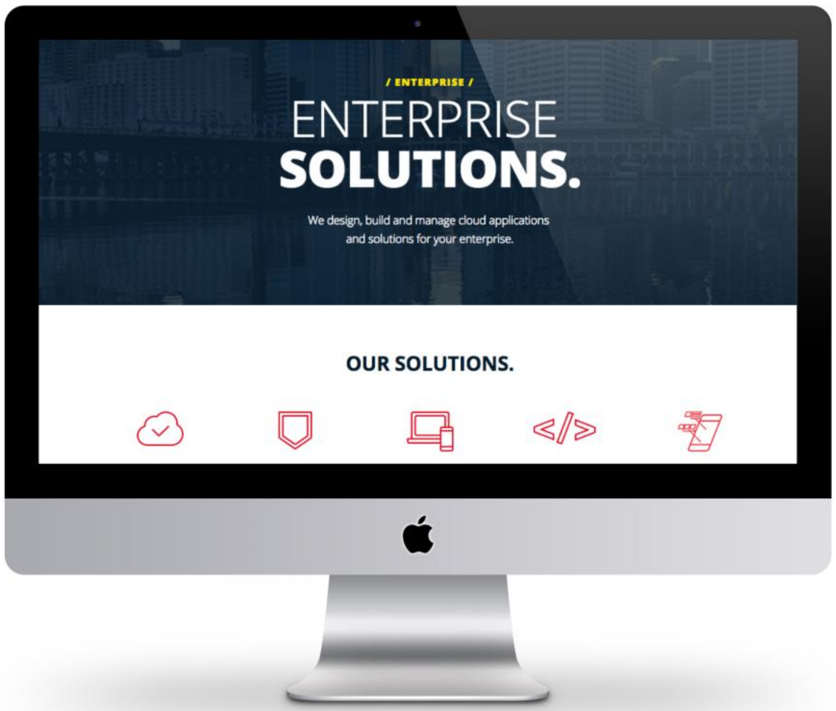


Quarter	**YOY % Qtly Growth**
2015 Q1	(3.1%)
2015 Q2	(1.8%)
2015 Q3	(2.4%)
2015 Q4	0.4%
2016 Q1	1.2%
2016 Q2	1.6%
2016 Q3	3.7%
2016 Q4	3.6%

Note: Excludes Indirect and Uber

SMB

ES: strategy and execution



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ES: strategy

The Past: cloud and hosting

While MLB was once one of the largest owners of hosting infrastructure, in recent years it successfully re-invented itself as a managed cloud service provider. MLB's experience in designing and managing flexible solutions in the cloud was sought by large corporations and government organisations as they redeveloped their web and ecommerce sites to take advantage of more flexible technologies. Over time it became clear that a **broader portfolio of digital capabilities was required** to meet the increasingly sophisticated needs of these enterprise and government customers.

The Future: growth from complete digital solutions

The Australian market for digital technologies (ie foundation technologies of cloud, analytics, mobile, social and security), totalled $6.5b in 2015 and was growing at a CAGR of 11%. The market for Digital Solutions (solutions incorporating more than one foundation digital technology) represents an additional spend of $1.4b and is growing at 30% CAGR. While this market is currently fragmented, history shows at least one local Australian organisation will **become a dominant supplier** in its chosen market.

Today

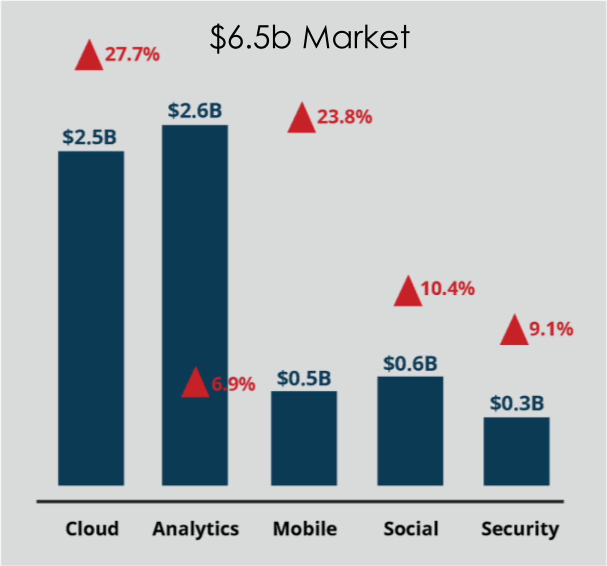
MLB has built an **enviable portfolio of digital solutions** that help people get things done, be more productive, learn, grow and be entertained. MLB's expertise in customer centered design, data analysis, and the management of flexible and complete digital solutions, means **MLB is uniquely positioned** to help organisations become more competitive and more customer centric.

ES now has 40% of the ASX Top 20 as customers, cross-Practice solutions customers have doubled over the past 12 months and **revenue has increased 73% YoY, while EBITDA has increased 87%**. ES is well on its way to becoming Australia's most impactful digital technology partner for the enterprise market.

ES

Digital Solutions: an attractive and strongly growing market

(CAMSS) FOUNDATION DIGITAL TECHNOLOGIES



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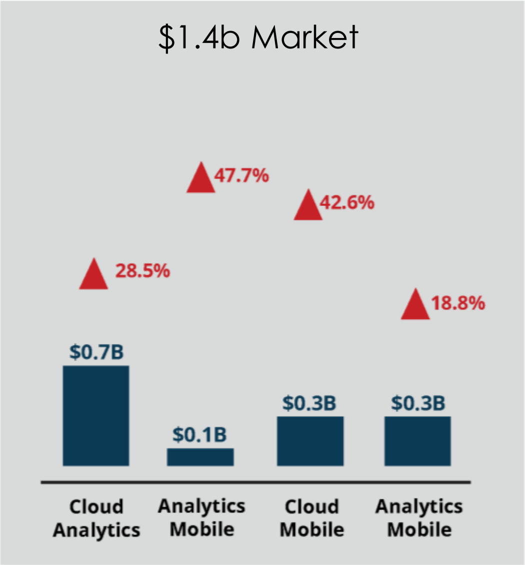
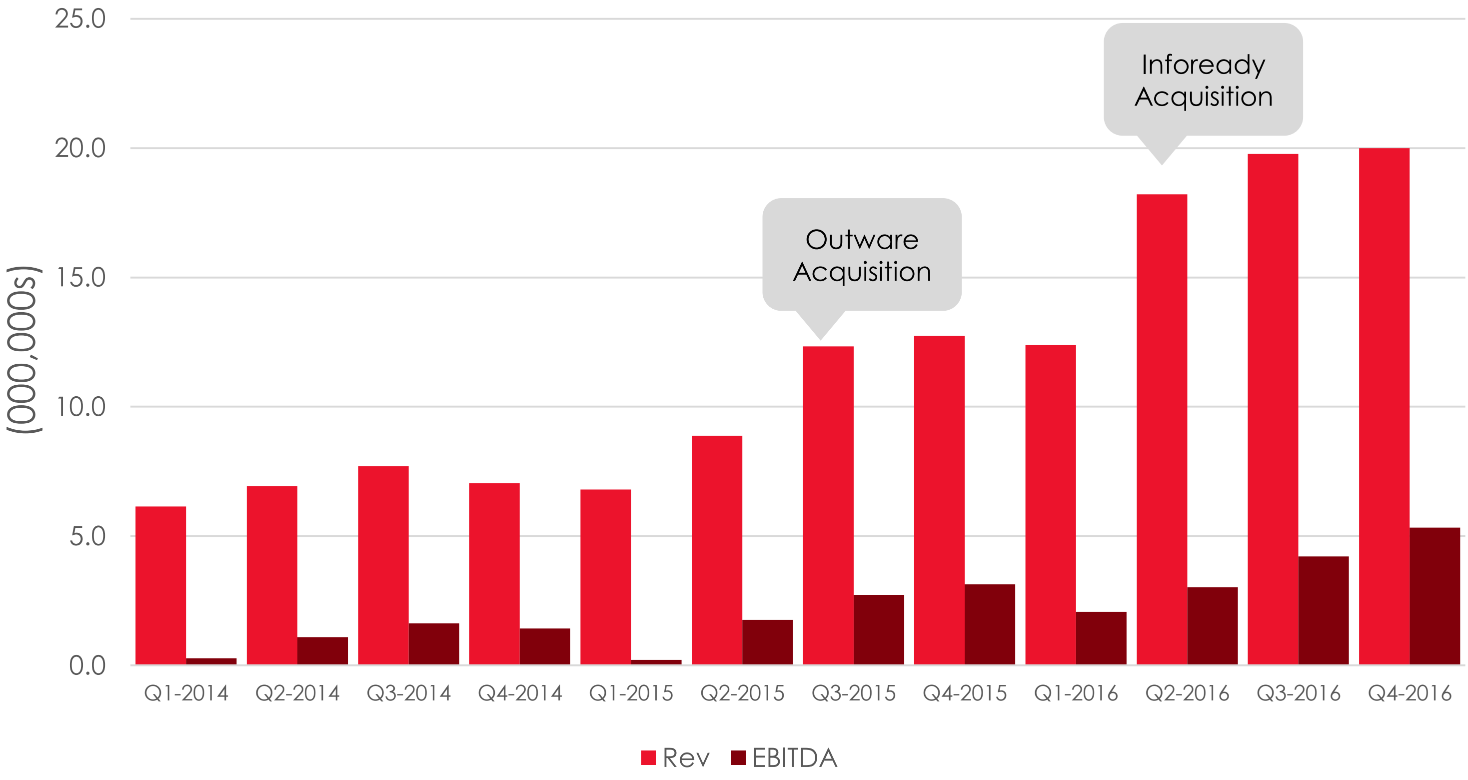
Complete Digital Solutions
Cloud, Analytics, Mobile Intersections



Key: ▲ Annual Growth Rate 2015

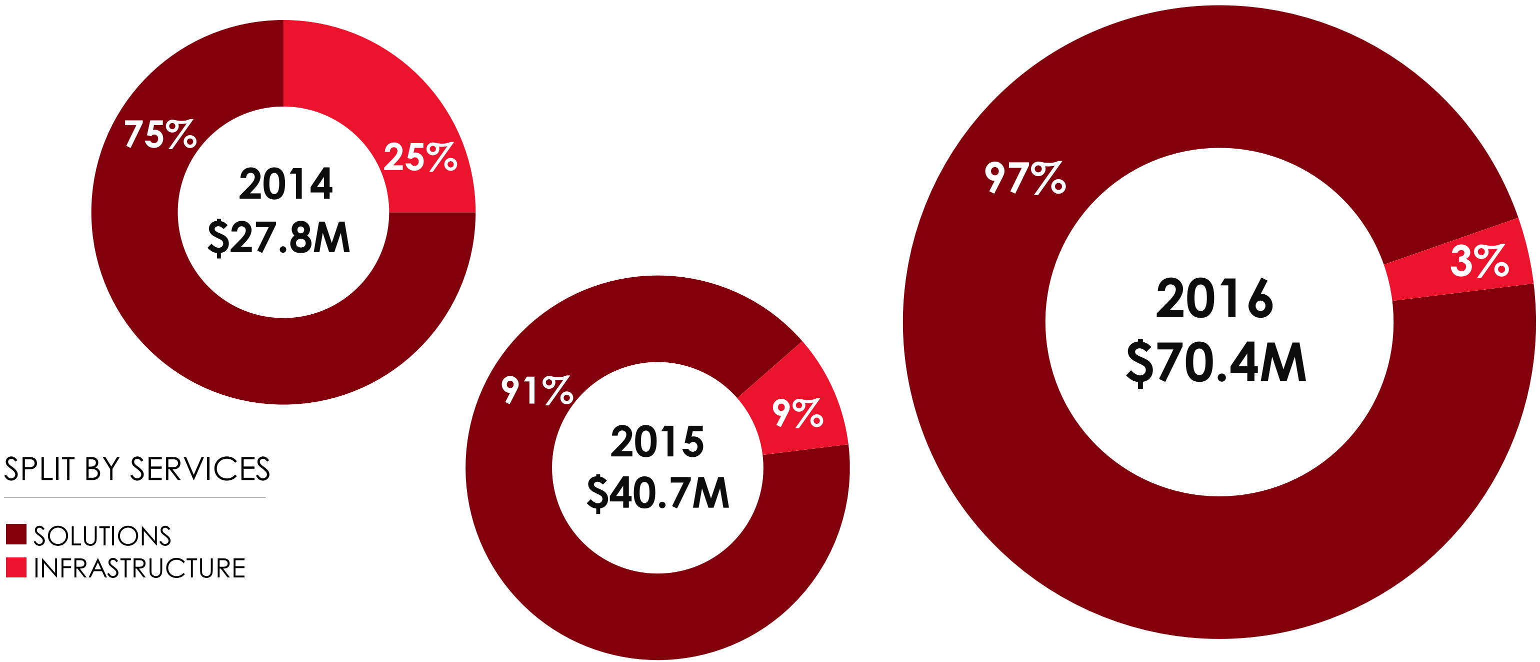
Source: IBM 2015

Execution: growing strongly



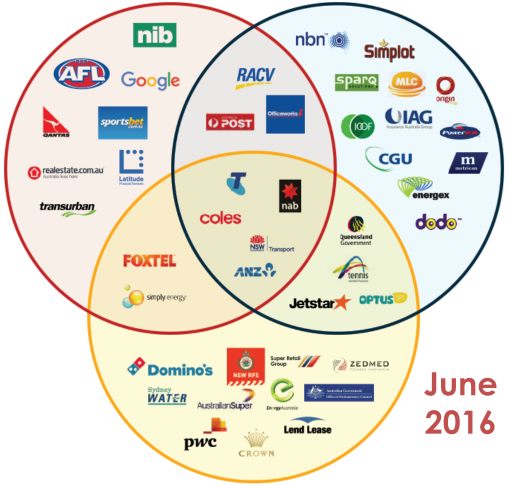
Execution: solutions driving growth

- Low value data centre infrastructure churn has bottomed out
- ES continues to successfully execute on its digital solutions strategy

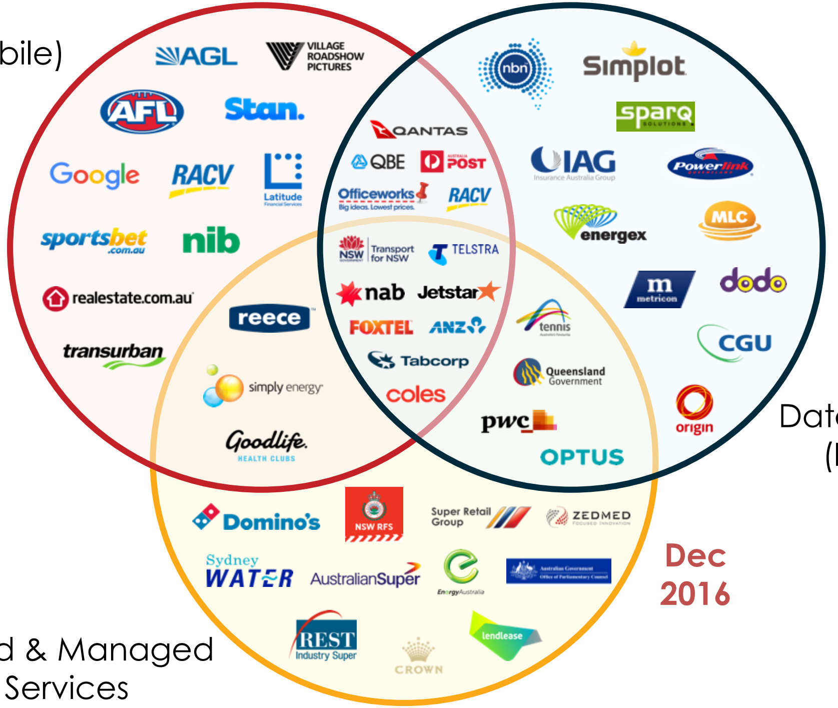


Execution: capturing revenue synergies

Mobile
(Outware Mobile)



June
2016



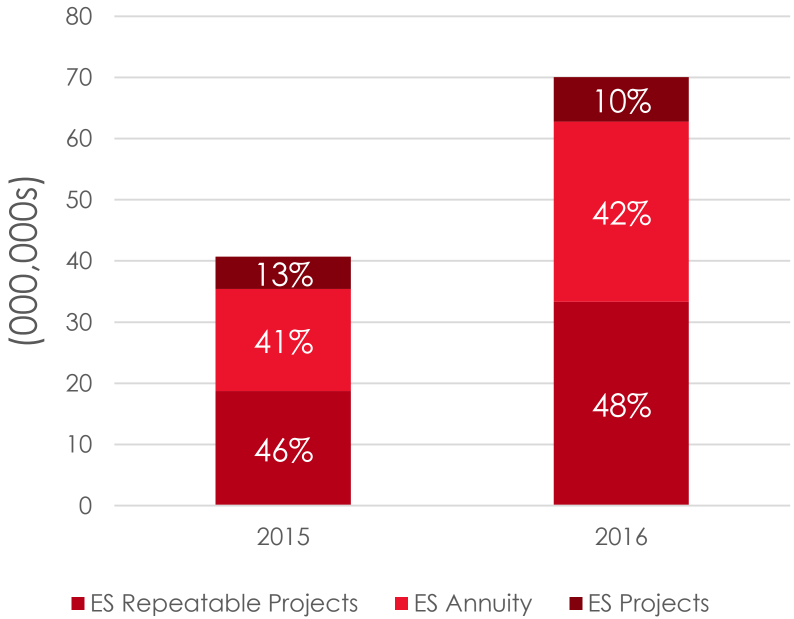
Data & Analytics
(Inforeadty)

Cloud & Managed
Services

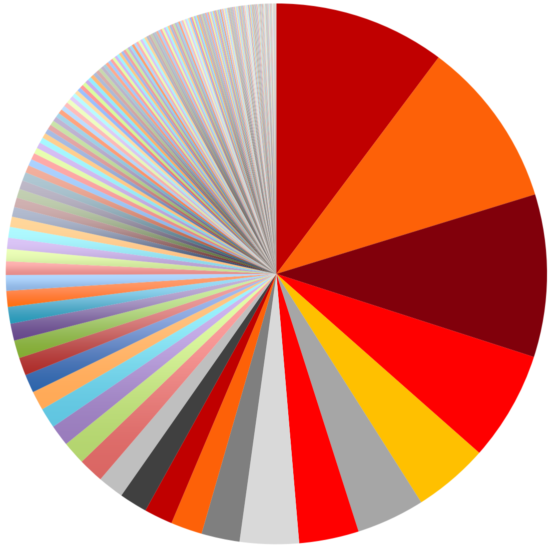
Dec
2016

Execution: revenue quality

Recurring, Repeatable Project and One time project Revenue – 2016



Diversified Revenue Contribution From Clients



Definitions: 1. **recurring** revenue is contracted annuity income, 2. **repeatable projects** are instances where we have been consistently billing the same customer for 2 or more years, 3. **one-off project revenue** is where we do a piece of work for a customer and there is no follow on business

ES Customers: marquee brands

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ES

Appendix
Financial Data

Date 23 February 2017

FY 2016: reported result

Year Ended 31 December 2016	2016	2015	⇳ %	Notes
Revenue	$168.4m	$150.3m	12%	Contribution from acquisitions (full year from Uber Global and Outware and 9 months from Infoready), combined with organic growth in ES and SMB, partially offset by the sale of the IDNR business (March 2016).
EBITDA	$28.2m	$16.5m	71%	Organic growth and contributions from acquisitions (as above), as well as a one-off gain on sale of the IDNR business ($2.4M), offset by one-off acquisition and integration costs.
NPAT	$10.7m	$5.6m	91%	Organic growth and contributions (as above) as well as growth in ownership stake of Outware from 50.2% to 75.1% in August 2016.
EBITDA Margin	17%	11%	55%	Acquisition of higher EBITDA margin businesses and sale of lower EBITDA margin IDNR business
EPS (cents)	10.86	6.04	80%	EPS growth lower than NPAT growth due to more shares on issue following equity raise in March 2016

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.

FY 2016: underlying EBITDA

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Year Ended 31 December 2016	2016	2015	Notes
Reported EBITDA	**$28.2m**	**$16.5m**	
Adjustments to calculate underlying EBITDA			
1. Transaction costs	$0.6m	$2.0m	One off transaction costs incurred for acquisitions
2. Synergy costs	$3.0m	$1.5m	One off cost of delivering synergies
3. au.com provision	-	($1.1m)	Write back of NRG pre-acquisition provision in FY15
4. Additional contribution from acquisitions*	$0.6m	$3.1m	Contribution prior to acquisition for InfoReady (March 2016), Outware (June 2015) and Uber (April 2015)
5. Contribution of IDNR business prior to sale	($0.1m)	-	Three months EBITDA contribution from IDNR business sold in March 2016
6. Other non-operating income	($1.6m)	-	Relates to reassessment of Outware dividend liability and InfoReady contingent consideration liability
7. Other non-operating expenses	$0.1m	-	
8. Gain on sale of IDNR business	($2.4m)	-	
Underlying EBITDA	**$28.4m**	**$22.0m**	After reversing impact of material one-off items and as if all acquisitions are owned for the full 2016 year.

*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. 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.

FY 2016: underlying NPAT

Year Ended 31 December 2016	2016	2015	NOTES
Reported NPAT	**$10.7m**	**$5.6m**	
Adjustments to calculate underlying NPAT			
1. Profit after Tax attributable to Non-Controlling Interests of Outware	$1.8m	$0.9m	
2. Transaction costs	$0.5m	$1.7m	One off transaction costs incurred for acquisitions (tax effected)
3. Synergy costs	$2.1m	$1.0m	One off cost of delivering synergies (tax effected)
4. au.com provision	-	($1.1m)	Write back of NRG pre-acquisition provision in FY15
5. Additional contribution from acquisitions*	$0.4m	$2.1m	Contribution prior to acquisition for InfoReady (March 2016), Outware (June 2015) and Uber (April 2015)
6. Contribution of IDNR business prior to sale	($0.1m)	-	Three months NPAT contribution from the IDNR business sold in March 2016
7. Other non-operating income	($1.7m)	-	Reassessment of Outware NCI dividend and InfoReady contingent consideration liabilities
8. Other non-operating expenses	$0.6m	$0.5m	
9. Gain on sale of IDNR business	($2.4m)	-	
10. Tax on sale of IDNR business	$2.4m	-	
Underlying NPAT	**$14.3m**	**$10.7m**	After reversing impact of material one-off items and as if all acquisitions are owned for the full 2016 year.

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

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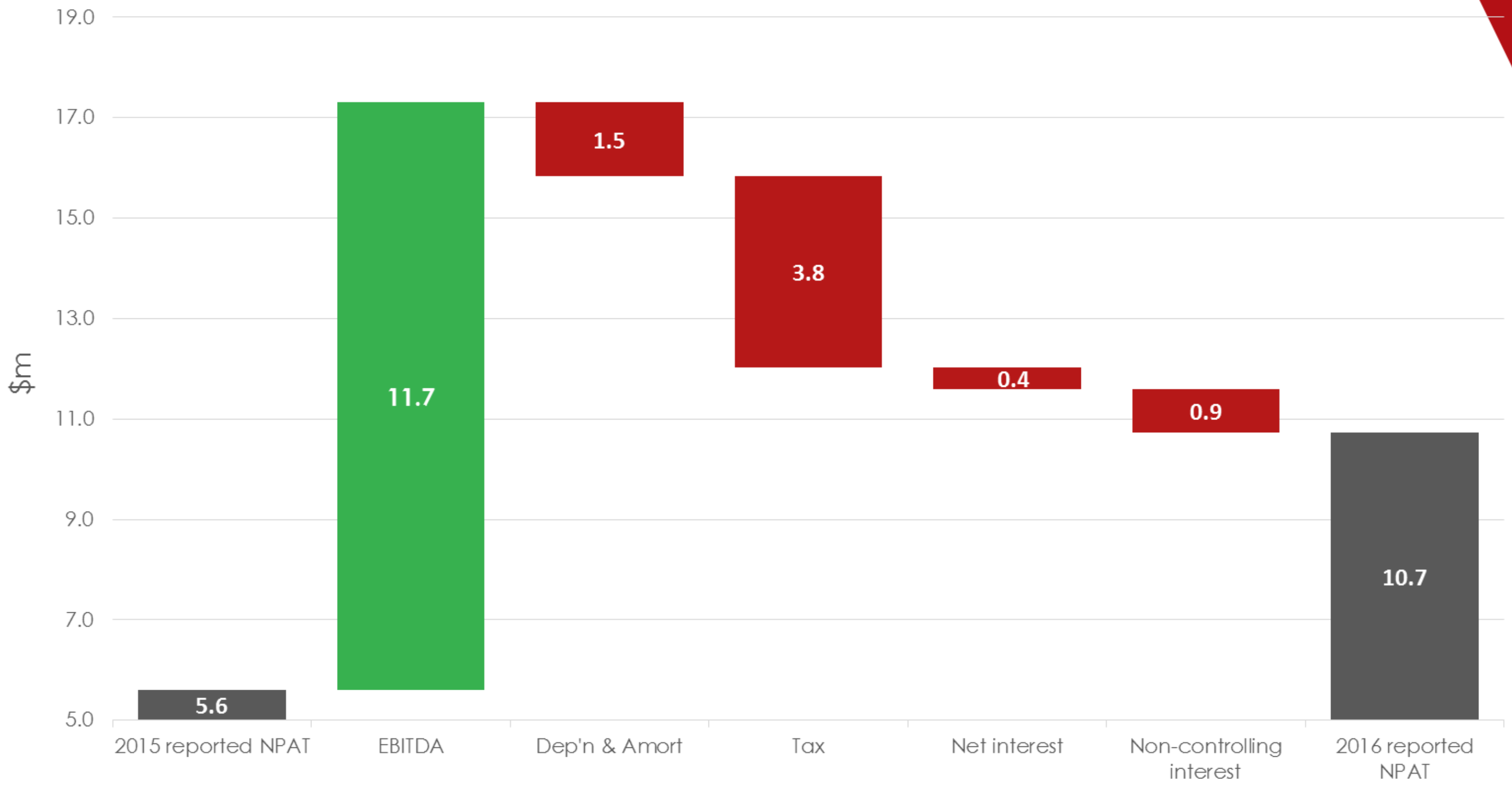
FY 2016: NPAT bridge



FY 2016: cash movement

Year Ended 31 December 2016	2016	2015	⇕ %	NOTES
Reported EBITDA	$28.2m	$16.5m		
Non-operating items	($3.5m)	($2.0m)		Includes transaction costs for acquisition, gain on sale of IDNR business and other non-operating income/ expenses.
Working Capital	($5.3m)	$1.6m		Increased working capital requirements from acquisition of InfoReady and organic growth in Outware.
Net Tax (Paid)/Refunded	($4.0m)	($2.0m)		Higher tax paid as a result of increased profitability.
Capex	($4.9m)	($5.8m)		Transition of business to a lighter infrastructure model.
Free Cash Flow	**$10.5m**	**$8.3m**	**27%**	
Financing (incl. net interest)	$12.8m	$24.4m		Driven primarily by financing activities including capital raise, net movement in debt facilities dividends paid.
Investing (excl. Capex)	($19.2m)	($38.4m)		Acquisition of InfoReady, payment of Outware second tranche, partially offset by proceeds from sale of IDNR business.
Net cash movement	$4.1m	($5.7m)		
Closing net cash	**$16.4m**	**$12.4m**	**32%**	

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FY 2016: cash movement

Year Ended 31 December 2016	2016	2015
FINANCING (incl. net interest)		
Proceeds from capital raising	$15.0m	-
Transaction costs on capital raising	($0.6m)	-
Dividend paid	($6.8m)	($4.9m)
Proceeds from/ (repayment of) borrowings	$6.5m	$30.0m
Net interest paid	($1.0m)	($0.5m)
Other	($0.3m)	($0.2m)
Total Financing (incl. net interest)	$12.8m	$24.4m

Year Ended 31 December 2016	2016	2015
INVESTING (excl. Capex)		
Acquisition of Uber Global (2015), Outware Systems (2015 & 2016) & InfoReady (2016) incl. transaction costs	($26.6m)	($38.2m)
Proceeds from sale of IDNR business net of transaction costs	$7.4m	-
Other	-	($0.2m)
Total investing (excl. Capex)	($19.2m)	($38.4m)

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FY 2016: balance sheet

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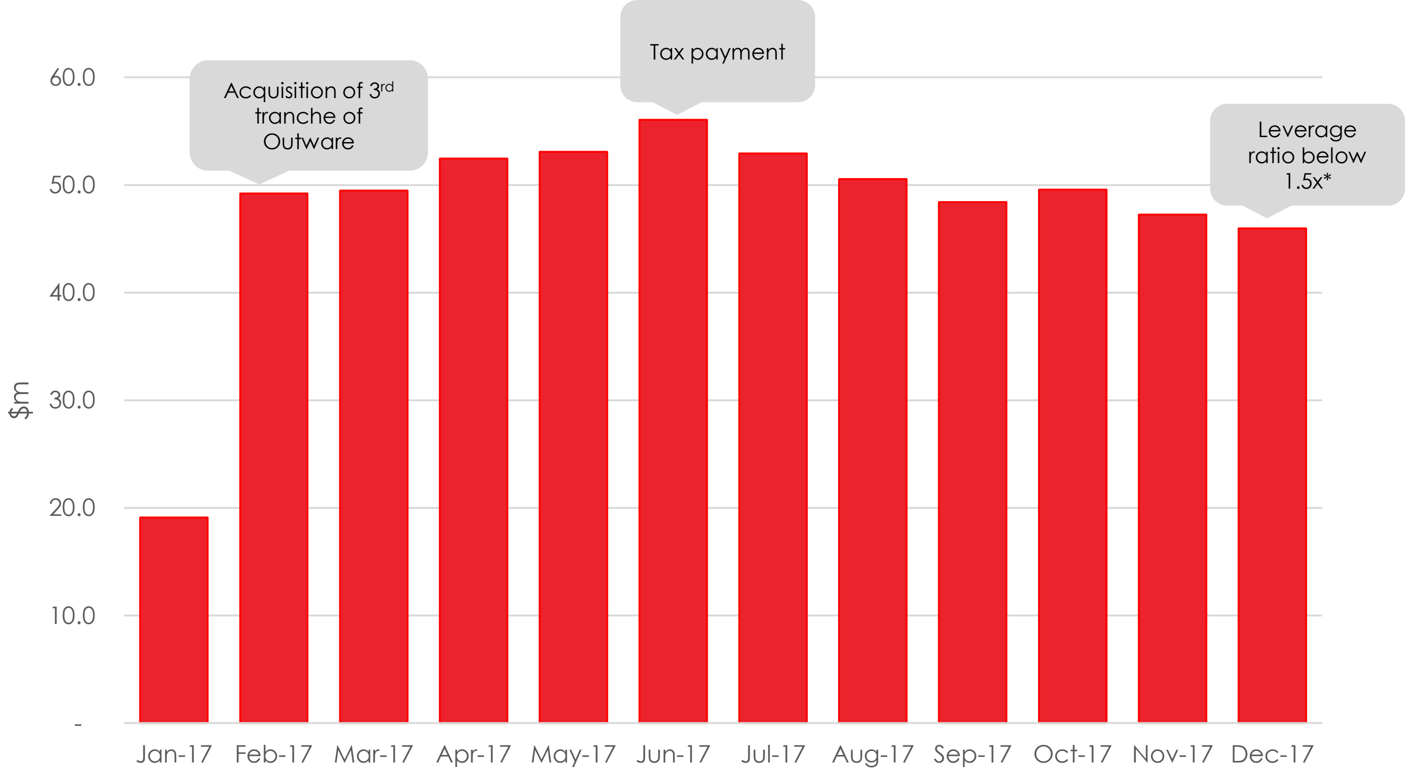
	Dec-16	Dec-15	⇕ %	NOTES
Cash	$16.4m	$12.4m	33%	Increase from capital raising, sale of IDNR business, and positive operating cash flows, partially offset by Infoready acquisition and dividends paid.
Other current assets	$29.5m	$25.3m	16%	Increase due to InfoReady contribution.
Current assets	$45.9m	$37.7m	22%	
Non-current assets	$238.4m	$225.1m	6%	Increase in goodwill arising from Infoready acquisition partially offset by goodwill reduction on IDNR sale.
Total assets	**$284.3m**	**$262.8m**	**8%**	
Current liabilities	$80.0m	$68.5m	17%	Increase due to Outware tranche 3 liability moving from non-current, partially offset by Outware tranche 2 liability being extinguished.
Non-current liabilities	$58.7m	$73.7m	(20%)	Decrease due Outware tranche 3 liability moving to current, partially offset by contingent consideration on Infoready acquisition and higher bank borrowings.
Total liabilities	**$138.7m**	**$142.2m**	**(2%)**	
Equity	$145.6m	$120.6m	21%	Positive impact from capital raising, increase in Other Reserves due to a lesser Outware tranche 2 liability and 2016 NPAT, was partially offset by dividends paid.

Net Debt: good cash generation, net debt falls progressively from peak in June 2017



* The company prefers to maintain a leverage ratio below 1.5x. Exceptions to this will be entertained in the case of acquisitions but only if there is a clear path to get the leverage ratio below 1.5x within 12-24 months.

Appendix
Approach To Acquisitions

Date 23 February 2017

Context

In April of 2013 Melbourne IT sold its Digital Brand Services division. Later that year it sold a smaller business known as For the Record. After paying down debt the balance of the proceeds of these sales was distributed to shareholders.

After this, Melbourne IT had two remaining business divisions; Small to Medium Business (SMB) and Enterprise Services (ES). SMB sold domain names and hosting services to small businesses, and ES sold hosting solutions (both dedicated hosting and cloud managed services) to large companies and government agencies.

In 2013, the SMB division declined by 7% in revenue terms and 35% in EBITDA terms, and the ES division declined by 6% in revenue terms and 42% in EBITDA terms.

In 2014 we set about rebuilding these businesses and repairing the financial foundations of Melbourne IT. Acquisitions have played a key part in this process and will continue to do so.

We are increasingly asked what criteria we apply when making investments. This appendix sets out our approach to acquisitions, assesses our recent acquisitions against our key criteria, and examines the value created over this time.

Investment Philosophy

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Melbourne IT has a clear investment philosophy which guides it in deciding whether or not to make acquisitions. The key elements of this philosophy are summarised below.

- An acquisition must be clearly **aligned with our strategy**
- Where an acquisition is undertaken to acquire capability it must accelerate the execution of our strategy and offer a **superior risk/reward profile** to the alternative of developing the capability internally
- An acquisition must create significant **shareholder value** and return on investment over the **medium term**
- At all times we are focussed on maintaining and protecting a **strong balance sheet**
- We follow a clear **capital management strategy** when allocating capital
- We have an established process for identifying and appropriately **managing any risks** before deploying capital for acquisitions
- When making an acquisition we have the right people involved in the evaluation of the opportunity and provide **clear accountability** for the business case and post-acquisition execution
- The performance of acquisitions are **reviewed annually** against agreed criteria and hurdles

Investment Criteria

In assessing acquisitions Melbourne IT applies the following criteria.

Criteria	Measure	Commentary
Strategic Alignment		Acquisitions must be clearly aligned with the company's stated strategy and be integral to the achievement of the overall plan
Value Creating # 1	EPS Accretion	Acquisitions must be EPS accretive over a 1 to 2 year timeframe[1]
Value Creating # 2	EV/EBITDA multiple	Businesses must be acquired at an EBITDA multiple that is lower than the company's current EV/EBITDA multiple (exceptions may be made for strongly growing businesses with unique capabilities)
Ability to Repay Debt	Leverage Ratio[2]	The company prefers to maintain a net debt:EBITDA ratio below 1.5x. Exceptions to this will be entertained in the case of acquisitions but only if there is a clear path to get the leverage ratio below 1.5x within 12-24 months
Ability to Repay Debt	Gearing Ratio[2]	The company will maintain a debt:(debt + equity) ratio below 50%

1. EPS calculation will exclude revenue synergies, but include 50% of anticipated cost synergies (and exclude the costs of achieving those cost synergies)
2. The company will necessarily comply with its debt covenants which provide for maximum permissible leverage and gearing ratios. The targets for these measures are materially below the maximums prescribed in the company's covenants.

Recent Acquisitions: value accretion

Acquisitions have played a key role in the growth of recent years. We are establishing a track record of acquiring well and integrating effectively.

Company	Consideration $M	Initial Multiple[1]	Final Multiple[2]	Strategic Fit	Synergies[5]	Integration
Netregistry (Feb 2014)	$50.4m	10.1	4.0	Scale economies in legacy business	✓	75%
Uber (Apr 2015)	$14.9m	7.5	3.3	Scale economies in legacy business	✓	✓
Outware (June 2015)	$57.8m[3]	8.6	4.7	Acquisition of unique capability	✓	✓
InfoReady (Mar 2016)	$15.4m	4.5	<4.5[4]	Acquisition of unique capability	✓	✓

1. For Netregistry and Uber Initial multiple represents the ratio of total consideration to EBITDA at acquisition date. For Outware and Infoready, initial multiple is the implied forward multiple as advised at the time of the acquisition – the final multiple would only be known at the end of the earnout period.
2. For Netregistry and Uber, final multiple represents the ratio of total consideration to EBITDA after realised synergies to date. For Outware and InfoReady, final multiple is calculated using forecast FY17 EBTIDA.
3. Accounting consideration of $60.6m represents total consideration of $57.8m plus cash vendors share of cash at time tranches 2 & 3 acquired.
4. Final multiple won't be known until the end of the earnout period in 31 March 2019 but the way the earn out is structured it will always be less than 4.5x
5. For Netregistry and Uber there were material cost synergies to be realised whereas for Outware and Infoready the focus is on revenue synergies from developing cross practice solutions and cross selling to respective customer bases.

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Refer to MIT's Appendix 4E and Statutory Accounts for the year ended 31 December 2016 for IFRS financial information that is presented in accordance with all relevant accounting standards.