



Melbourne IT

Acquisition of WME Group and \$30.7m Entitlement
Offer



1 May 2017

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Transaction Summary and Strategic Rationale

Overview

1

MLB is announcing **2 significant events:**

- The purchase of Web Marketing Experts Pty Ltd, Nothing But Web Pty Ltd and Results First Ltd (collectively the “WME Group”) – a leading provider of Search Engine Optimisation (“SEO”) and digital marketing services to the SMB market – for approximately \$39M¹
- An accelerated non-renounceable entitlement offer for ~\$30.7M to partially fund the purchase consideration for WME Group

2

Combination is **strategically compelling and strongly earnings accretive:**

- Adds powerful SMB solutions capability with anticipated significant future opportunity for revenue synergies
- Expected Underlying EPS accretion before synergies of between 12% and 18% in FY17²

3

Positive impact on **FY17 guidance:**

- Existing Underlying EBITDA guidance of \$31M to \$34M updated to a range of \$37.5M to \$41.5M as a result of the acquisition of WME Group

4

Low transaction multiple reinforces **shareholder value creation:**

- Implied multiple of 5.0x to 6.0x FY17 EBITDA is materially below MLB's trading multiple and low for such a strongly growing business

Building a stronger business with higher growth and quality earnings

1. Total estimated consideration is \$39M (prior to estimated transaction costs of \$600K and costs of the capital raising) consisting of a \$25M payment on completion and a second payment (in August 2017) dependent on performance.

2. On a pro forma basis and before synergies.

Strong Strategic Fit: WME Group and Melbourne IT

1

Enhances SMB's ability to grow average revenue per user ("ARPU") at faster rates through enhanced cross sell and customer retention

2

SMB gains critical capability in digital marketing for small and medium enterprises and an established and highly effective account management capability

3

Strong competitive position when acquiring new customers and expanding services to existing customers via the ability to deliver complete managed marketing solutions

4

Firmly in line with MLB's announced strategy of transitioning its small to medium business division ("SMB") into the leading digital solutions partner for small to medium enterprises

**managed marketing solutions
now the growth engine for SMB**

Transaction: overview

Transaction Summary

- MLB will acquire a 100% shareholding in WME Group
- Consistent with existing strategy and acquisition criteria
- Compelling opportunity for MLB to acquire one of Australia's leading providers of digital marketing services for small to medium enterprises
- Forecast WME Group annualised underlying FY17 EBITDA of between \$6.5M to \$7.5M
- WME Group has a history of double digit growth (>50% pa FY14 – FY16)
 - we anticipate WME Group EBITDA growth of ~20% in CY17 (after including incremental costs)
- Total estimated transaction consideration of \$39M¹ on an implied EBITDA multiple of 5.0x to 6.0x FY17
- Approx. 18% return on \$39M investment²
- Acquisition will be funded from a combination of debt (~\$9M) with the balance funded from the proceeds from the raising of new equity (~\$30.7M)
- Key Management are remaining with the business
- Completion is conditional on successful completion of capital raising, among other things

1. Total estimated consideration is \$39M (prior to estimated transaction costs of \$600K and costs of the capital raising) consisting of a \$25M payment on completion and a second payment (in August 2017) dependent on performance.

2. ROIC calculated using the mid-point of the range for anticipated FY 2017 Core EBITDA less depreciation & amortisation and divided by the acquisition price (\$39M).

Transaction: overview (cont'd)

Impact on MLB

- MLB will strengthen its position as a leading provider of managed marketing solutions for small and medium business customers
- Compelling logic and strong strategic fit:
 - combination of SMB and WME Group delivers a compelling customer value proposition and delivers significant benefits through scale and scope in SMB
- Expected to add ~ \$6.5M to \$7.5M (before synergies) to MLB's Underlying EBITDA in FY17¹
- Expected Underlying EPS accretion before synergies of between 12% and 18% in FY17
- The growth rate in SMB is expected to accelerate significantly as a result of the transaction
- 30 person account management team from WME Group expected to assist in customer retention and accelerating ARPU growth
- Positive impact on balance sheet - strong organic cash flow expected to bring leverage ratio below 1.5x within months
- Dividend policy is unchanged (ie payout ratio expected to remain at 55%-75% of Statutory NPAT)

1. Calculated on the basis that WME Group had been owned by MLB since 1 January 2017.

2. See pages 26-29 for the criteria that the Board of MLB has set for acquisitions and in particular page 28 for its policy on the net debt:EBITDA ratio.

Growth: WME Group provides enhanced exposure to much larger and attractive solutions market

SOLUTIONS MARKET

90%

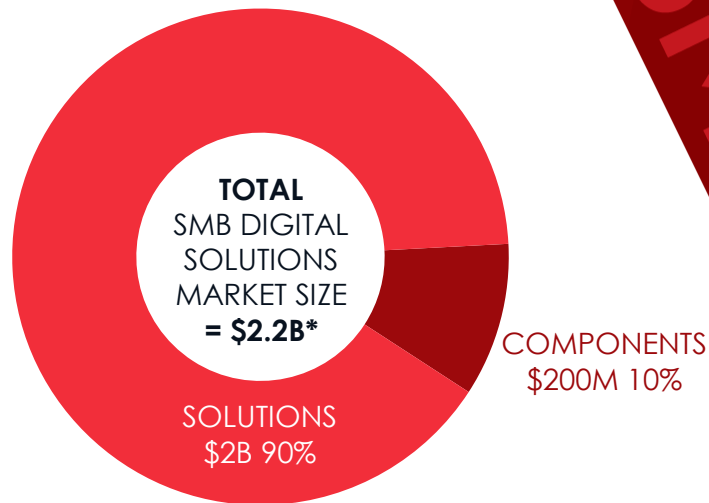
- Customers prepared to pay for solutions that meet a need or solve a problem
- Highly fragmented market with no major competitor in Australia
- Market growing at 20%+ per annum
- Average revenue per user of \$100-\$1,000pm

COMPONENTS MARKET

10%

- Domains, web hosting, and email are key components for SMBs
- MLB is no. 1 in the Australian market but highly competitive with large competitors driving commoditisation
- Market growing at low single digits
- Average revenue per user of \$5-\$50pm

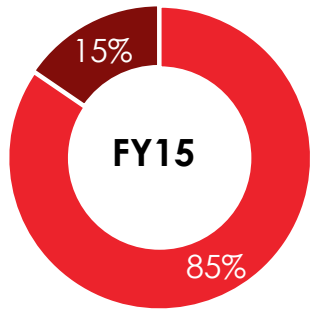
SMB Growth from Solutions



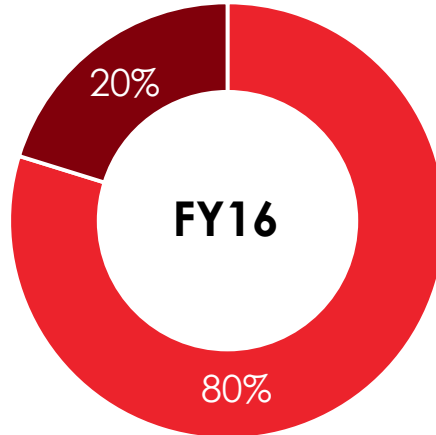
* Revised market size following independent study from Growth Solutions Group, 2016. Commissioned by Melbourne IT.

Transformation: WME Group accelerates the transition of SMB to a solutions business

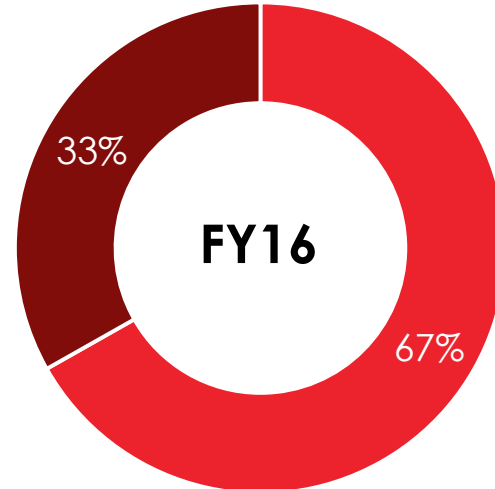
MLB SMB Direct



MLB SMB Direct



MLB SMB Direct
with WME Group



REVENUE SPLIT BY SEGMENT

- SOLUTIONS
- COMPONENTS

SMB



Overview of WME Group and Operational Fit with SMB Business

WME Group: facts and figures

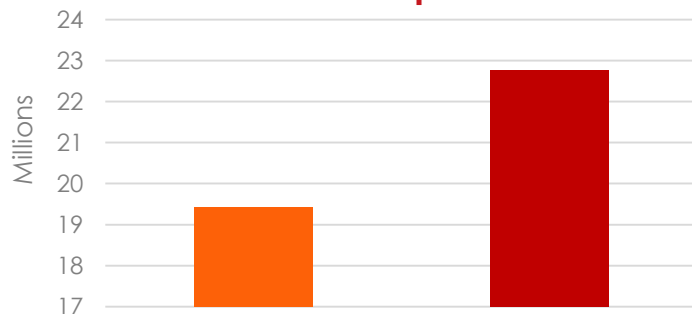
- 1 **Founded in 2008** WME Group is one of Australia's leading providers of search engine optimisation & digital marketing services for small to medium enterprises:
 - Leading skills and competencies in the rapidly growing/lucrative digital advertising industry
 - Extensive expertise in search engine optimisation ("SEO"), search engine marketing ("SEM"), social media advertising & web design & development. A full service digital agency
 - Has experienced exceptional growth due to world-leading innovation. Highly systemized operation that has resulted in superior customer acquisition, outstanding client results and employee retention
 - Ongoing revenue, low customer churn, track record of successfully expanding customer base
- 2 **150 employees** with offices in Melbourne and Auckland. Voted Top 100 Coolest Places to work in Australia
- 3 **Impressive history of strong growth**, EBITDA growing at >50% p.a. over recent years. Numerous awards for growth and innovation



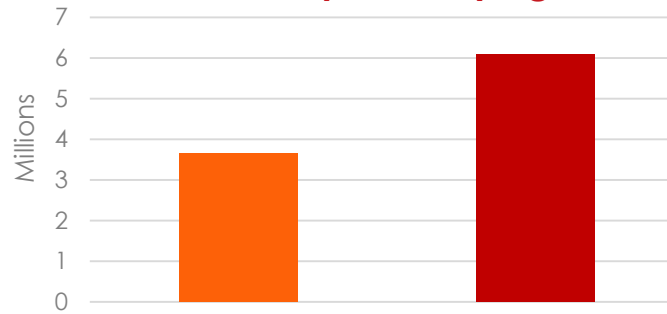
- 4 **Key Management** remaining with the business (current owner is not involved in the day to day operations of the business)

WME Group: historical financial performance

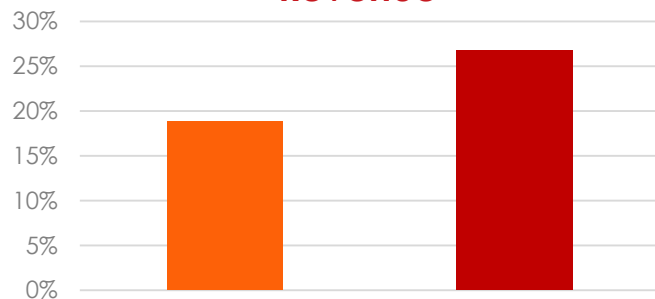
WME Group Revenue



WME Group Underlying EBITDA



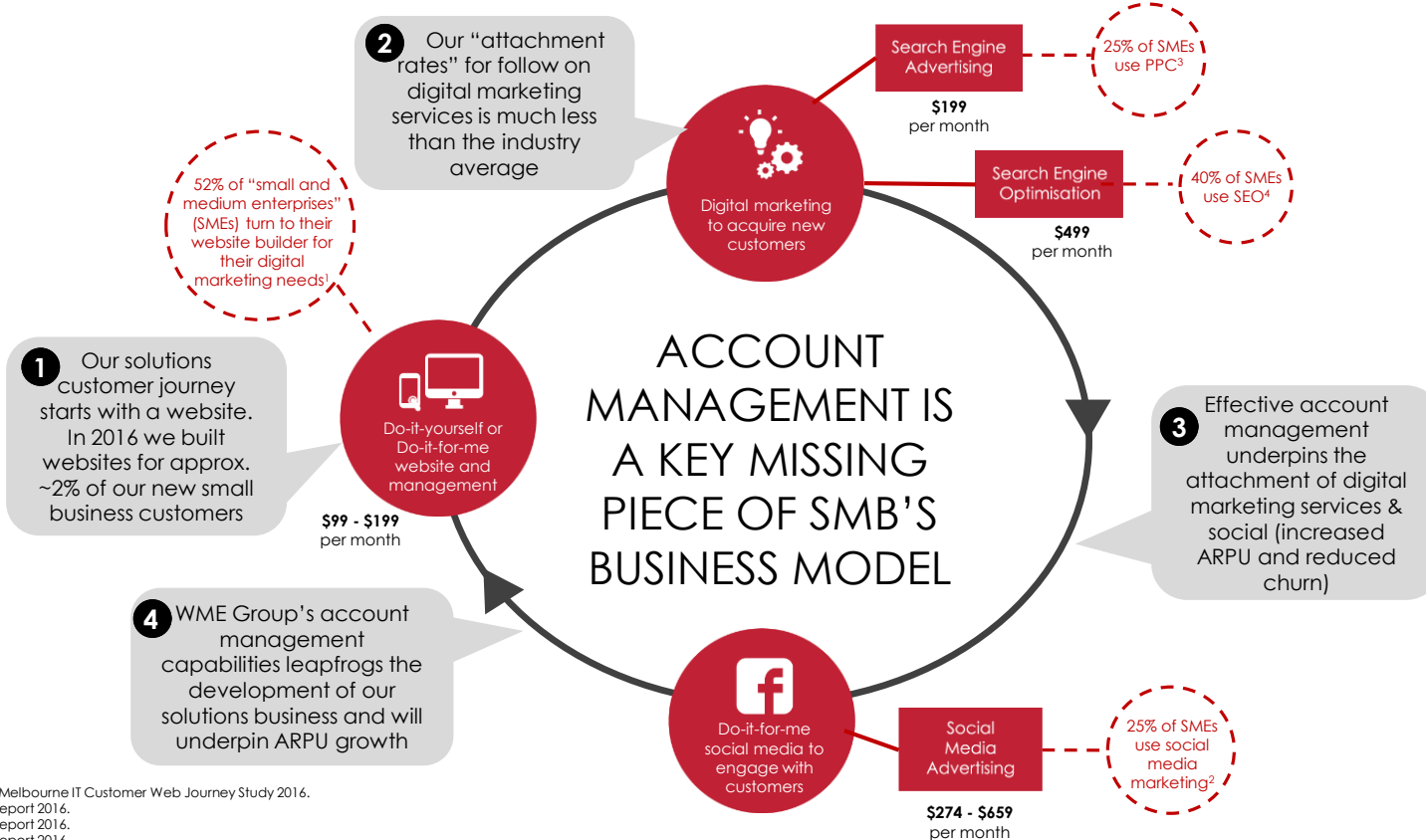
Underlying EBITDA as % Revenue



FY15
FY16

- **Low CAPEX** business model with strong free cash flow & no debt
- **Business is built for growth** with scalable and robust systems and processes
- **Low customer concentration** and a large portfolio of active customers
- Historically **significant levels of recurring income**

Revenue Synergies: WME Group's account management capability will drive ARPU growth



1. IPSOS: Melbourne IT Customer Web Journey Study 2016.
2. IPSOS report 2016.
3. IPSOS report 2016.
4. IPSOS report 2016.

WME Group & MLB: a powerful combination

	MLB ¹	WME Group	Combined
Customer Metrics			
Customers	~3,500 ²	~1,900 ²	~5,400
ARPU	~\$1,800pa	~\$12,000pa	~\$5,400pa
Capabilities			
Web Design			
SEO			
PPC			
Social			
Account Management			

The acquisition of WME Group accelerates the transformation of MLB's SMB division to a leading provider of managed marketing solutions

1. Solutions customers only, MLB has another ~500K legacy domains and hosting customers ("Components" customers) who could in the future become solutions customers.
2. Active customers.



Updated Guidance

Guidance: underlying EBITDA bridge

Measure	Range	Comment
Existing FY17 Underlying EBITDA Guidance	\$31m - \$34m	Re-affirmed FY17 underlying EBITDA guidance announced on 23 February 2017
FY17 WME Group Core EBITDA ¹	\$6.5m – \$7.5m	Pro forma, based on full year Core EBITDA contribution from WME Group
Updated FY17 Underlying EBITDA Guidance ¹	\$37.5m – \$41.5m	Pro forma for SMB & Enterprise acquisitions (including WME Group) and divestments made in the financial period as if that acquisition / divestment had applied for all FY17

- At the end of Q1 MLB was trading in line with expectations
- Trading conditions in the markets ES and SMB operate in are unchanged
- The focus on digital solutions in both SMB and ES continues to drive growth

Please note: Figures on this page reflect management's 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.

1. Calculated on the basis that WME Group had been owned by MLB since 1 January 2017.

WME Group & MLB: FY16 actual and pro forma financials for the SMB division

	MLB SMB (Reported)	WME Group ^[1]	Pro forma Adjustments ^[2]	MLB SMB (Consolidated) ^[3]
Revenue	97.8	22.8	(5.3)	115.3
Gross Margin	57.1	19.7	(0.5)	76.4
Core Operating Expenses ^[4]	38.5	13.7	(0.4)	51.8
Core EBITDA ^[5]	18.7	6.1	(0.1)	24.6
Non Core Expenses/Income ^[6]	3.0	0.0	0.0	3.0
Reported EBITDA	15.7	6.1	(0.1)	21.7

1. This represents unaudited WME Group figures for the FY16 period.
2. These are the pro forma impacts of SMB acquisitions and divestments made in the financial period as if that acquisition / divestment had applied for all FY16.
3. The aggregate SMB business inclusive of WME Group and after reflecting the pro forma adjustments.
4. Core operating expenses and excludes one off expenses.
5. EBITDA results before one off expenses and non-core income.
6. One off expenses and non-core income comprises items such as integration, transaction costs etc.

Please note: Figures on this page reflect management's 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. Results are years ended 31 December 2016.

WME Group & MLB: FY16 actual and pro forma financials for the MLB Group

	MLB Group (Reported)	WME Group ^[1]	Pro forma Adjustments ^[2]	MLB Group (Consolidated) ^[3]
Revenue	168.2	22.8	(1.7)	189.2
Gross Margin	94.0	19.7	0.7	114.4
Core Operating Expenses ^[4]	66.0	13.7	0.2	79.9
Core EBITDA ^[5]	28.0	6.1	0.5	34.5
Non Core Expenses/Income ^[6]	(0.3)	0.0	0.0	(0.3)
Reported EBITDA	28.2	6.1	0.5	34.8
NPAT	10.7	4.1	0.3	15.1

1. This represents unaudited WME Group figures for the FY16 period.
2. These are the pro forma impacts of SMB & Enterprise acquisitions and divestments made in the financial period as if that acquisition / divestment had applied for all FY16.
3. The aggregate MLB Group business inclusive of WME Group and after reflecting the pro forma adjustments.
4. Core operating expenses and excludes one off expenses.
5. EBITDA result before one off expenses and non-core income.
6. One off expenses and non-core income comprises items such as integration, transaction costs etc.

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Capital Raising Summary

Capital Raising: overview

Offer Structure and Size

- 1 for 7 pro-rata accelerated non-renounceable entitlement offer to raise approximately \$30.7 million
- Approximately \$19.6 million institutional component and \$11.1 million retail component
- The offer is fully underwritten by Wilsons Corporate Finance Limited and Bell Potter Securities Limited
- Approximately 14.6 million new MLB ordinary shares ("New Shares") to be issued (approximately 14% of existing shares on issue)

Offer Price

- Offer price of \$2.10 per New Share under the Entitlement Offer and Institutional Placement ("Offer Price"), which represents a:
 - 2.0% discount to TERP
 - 2.3% discount to the last traded price of \$2.15 on 28 April 2017
 - 4.2% discount to the 5 day VWAP of \$2.19

Ranking / Dividend

- New Shares will rank equally in all respects with existing ordinary shares
- Shares issued on 28th April 2017 under MLB's Dividend Reinvestment Plan ("DRP") will be counted in the calculation of shareholders' entitlements under the capital raising

Capital Raising: overview

Institutional and Retail Components of Entitlement Offer

- The institutional component of the Entitlement Offer ("Institutional Entitlement Offer") will be conducted over Monday, 1 May 2017 and Tuesday, 2 May 2017
 - Entitlements not taken up under the Institutional Entitlement Offer will be offered to new and existing eligible institutional shareholders at the offer price via a shortfall bookbuild concluding on Tuesday, 2 May 2017
 - The retail component of the Entitlement Offer ("Retail Entitlement Offer") opens Monday, 8 May 2017 and closes Thursday, 18 May 2017
-

Record Date

- 7:00pm (AEST) Wednesday, 3 May 2017
-

Board Participation

- Non-Executive Directors Larry Bloch and Tom Kiing hold 15,179,851 (or 14.8%) of MLB shares. Both have confirmed their support for the transaction, however both have indicated that for personal reasons they will not be participating in the Entitlement Offer and therefore their respective entitlements will be placed through the institutional bookbuild
- The other MLB Directors have stated they intend to participate in the Entitlement Offer for some or all of their respective pro-rata entitlements to the extent their financial circumstances permit

Capital Raising: timetable

Event	Date
Commencement of trading halt and Institutional Entitlement Offer opens	1 May 2017
Institutional Entitlement Offer closes	2 May 2017
Institutional shortfall bookbuild	2 May 2017
Existing shares resume trading on an ex-entitlement basis	3 May 2017
Record Date for Entitlement Offer (7.00pm AEST)	3 May 2017
Retail Entitlement Offer opens	8 May 2017
Dispatch of Retail Offer Booklet	8 May 2017
Institutional Entitlement Offer Settlement	10 May 2017
Issue and quotation of New Shares issued under the Institutional Entitlement Offer	11 May 2017
Retail Entitlement Offer closes (5.00pm AEST)	18 May 2017
Announce results of Retail Entitlement Offer and retail shortfall bookbuild	23 May 2017
Settlement of Retail Entitlement Offer	24 May 2017
Issue of New Shares under the Retail Entitlement Offer	25 May 2017
New Shares under the Retail Entitlement Offer commence trading on ASX	26 May 2017



Appendix A: Approach To Acquisitions

Investment Philosophy

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 only 50% of the anticipated cost synergies (and exclude the costs of achieving those cost synergies).

2. The Company's debt facility is subject to 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 EBITDA.
3. Accounting consideration of \$60.6m represents total consideration of \$57.8m plus vendors share of cash at the time tranches 2 & 3 were 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.



Appendix B: Glossary

Glossary

ARPU	Average revenue per user
CAGR	Compound annual growth rate
Capex	Capital expenditure
Company, Melbourne IT or MLB	Melbourne IT Limited (ACN 073 716 793), including its subsidiaries unless the context requires otherwise
Core EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation. Core EBITDA adjusts for one-off and non-recurring costs and non-core income
Entitlement Offer or Offer	1 for 7 pro-rata accelerated non-renounceable entitlement offer to be conducted by the Company to raise approximately \$30.7 million
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
InfoReady	InfoReady Pty Ltd, acquired by Melbourne IT in March 2016
Netregistry	Netregistry Pty Ltd, acquired by MLB in February 2014
New Shares	Shares in the Company to be issued under the Entitlement Offer

Glossary (cont'd)

Outware	Outware Systems Pty Ltd, acquired by Melbourne IT in June 2015
ROIC	Return on Invested Capital, calculated using the mid-point of the range for anticipated FY 2017 Core EBITDA less D&A and divided by the acquisition price
SMB	A division of the Melbourne IT Group focusing on web services to small to medium sized businesses
Solutions	Product offerings within SMB division, including search engine optimisation, website development and social media marketing
Statutory 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
Statutory EPS	Earnings per Share. Prepared on a statutory basis in accordance with the Australian equivalents of International Financial Reporting Standards
Statutory NPAT	Net Profit after Taxation. Prepared on a statutory basis in accordance with the Australian equivalents of International Financial Reporting Standards
Uber/ Uber Global	Uber Global Pty Ltd, acquired by Melbourne IT in April 2015
Underlying EBITDA	Core EBITDA plus 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
WME Group	Comprises of 100% of the shares of Web Marketing Experts Pty Ltd (ACN 134 954 279), Nothing But Web Pty Ltd (ACN 602 013 678) and Results First Limited (NZ Company Number 5240641)



Appendix C: Key Risks

Key Risks: introduction

Investors should be aware that there are risks associated with an investment in MLB. Some of the principal factors that may, either individually or in combination, affect the future operating and financial performance of MLB and the value of MLB shares (before and after the proposed acquisition of WME Group) are detailed in this section. Some risks are specific to an investment in MLB and the acquisition of WME Group, others are of a more general nature.

The summary of risks that follows is not exhaustive and the risks set out below are not in order of importance. The summary of risks does not take into account the personal circumstances, financial position or investment requirements of any particular person. Additional risks and uncertainties that MLB is unaware of, or that it considers to be immaterial, may also become important factors that adversely affect MLB's operating and financial performance. Accordingly, no assurance or guarantee of future performance or profitability is given in respect of MLB shares.

Before participating in the Offer or investing in MLB, it is important that you read and understand this presentation and consider these risks and uncertainties clearly. Prospective investors should also consider publicly available information on MLB. You should have regard to your own investment objectives and should seek advice from your professional adviser before deciding whether or not to invest.

Key Risks: acquisition risks

Completion risk

The acquisition of WME Group is conditional on a number of matters including no material adverse change, and completion of the Offer. If these conditions are not satisfied or waived, the acquisition will not complete. There is also potential for a material delay to completion of the acquisition in order for some of the conditions to be satisfied.

If the transaction does not complete, then MLB will review its capital position with regard to its ongoing capital requirements and corporate strategy. Amongst other things, this may include consideration of a return of capital to shareholders and/or an on market buy back.

Funding risk

MLB has entered into an underwriting agreement with Bell Potter Securities Limited and Wilsons Corporate Finance Limited. Under this agreement, the underwriters have agreed to fully underwrite the Offer, subject to the terms and conditions of the underwriting agreement.

The underwriting agreement that MLB has entered into with the underwriter contains customary termination rights, these include:

- a) the share purchase agreement in respect of the acquisition of the WME Group is not amended (without the consent of the underwriters) or breached, terminated or rescinded; and
- b) the S&P /ASX 200 index falls by more than 10% from its level at the close of trade on Friday 28 April for 2 consecutive business days or the day immediately before the institutional offer settlement date or the retail offer settlement date.

In the event that the underwriting agreement is terminated in accordance with its terms, MLB has only limited capacity to increase the drawdown on its debt facilities to fund the acquisition of WME Group. MLB does not have existing facilities in place to complete the WME Group acquisition on the basis of debt funding alone. MLB's ability to service the anticipated debt drawdown under its existing facilities and any additional drawdowns if the underwriting agreement is terminated will depend on MLB's future performance and cash flows, which in turn will be affected by various factors, some of which are outside MLB's control (such as the general risks discussed on the following slides).

An inability to secure sufficient debt funding (including to refinance on acceptable terms) from time to time or to service its debt may have a material adverse effect on MLB's financial performance and prospects. In particular, to the extent that additional equity or debt funding is not available from time to time on acceptable terms, or at all, MLB may not be able to take advantage of acquisition or other growth opportunities, develop new ideas or respond to competitive pressures.

In the event that the underwriting agreement is terminated in accordance with its terms, MLB has the right to discontinue with the transaction. The action that MLB determines to take should this situation arise will depend on the specific facts and circumstances at the time.

Key Risks: acquisition risks (cont)

Integration risk

The acquisition of WME Group involves the integration of the WME Group business, which has previously operated independently to MLB. Consequently, there is a risk that the integration of WME Group may be more complex than currently anticipated, encounter unexpected challenges or issues or take longer than expected, divert management's attention from other areas of the MLB business or not deliver the expected benefits. This may affect MLB's operating and financial performance.

Historical liability

If the acquisition of WME Group is successfully completed, MLB will be exposed to the risks associated with owning and operating WME Group. MLB, as the new owner of WME Group, may become directly or indirectly liable for any liabilities that WME Group has incurred in the past, which were not identified during due diligence or which are greater than expected, and for which there is no protection for MLB (in the form of insurance, representations and warranties and indemnities) or such protection turns out to be inadequate in the circumstances. Such liability may adversely affect the financial performance or position of MLB post-acquisition.

Key employees

WME Group has a core management team with key experience in the markets in which WME Group operates and responsibility for some key client relationships. Failure to retain some of the core management team post-acquisition may have a material adverse effect on MLB's ability to deliver the expected benefits of the acquisition in the short to medium term.

Reliance on information provided

MLB undertook a due diligence process in respect of WME Group, which relied in part on the review of financial and other information provided by the vendors of WME Group. Despite making reasonable efforts, MLB has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, MLB has prepared (and made assumptions in the preparation of) the financial information relating to WME Group on a stand-alone basis and also the financial information relating to MLB post-acquisition included in this presentation in reliance on limited financial information and other information provided by WME Group. MLB is unable to verify the accuracy or completeness of all of that information.

If any of the data or information provided to and relied upon by MLB in its due diligence process and its preparation of this Presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of MLB and the enlarged group may be materially different to the financial position and performance expected by MLB and reflected in this presentation.

Key Risks: acquisition risks (cont)

Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the acquisition have been identified. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material adverse effect on MLB.

Material contracts of WME Group

WME Group sources approximately 5% of its revenue from a WME Group related party. That related party is provided with all its referrals from a network services provider. A contract to retain this referral arrangement with the related party has been executed. The contract between the WME Group related party and the network services provider expires imminently and is currently under negotiation for renewal. In the event this contract between the related party and a network services provider is not renewed on substantively the same or similar terms as the current arrangements, there could be a material impact on WME Group's business.

Changes in search engine optimisation technologies

A material component of WME Group's business revolves around a deep understanding of the algorithms used by search engines to rank a search engine user's enquiry. Changes in these algorithms or other changes in the methodology and approach used by search engines to rank web pages could undermine the commercial benefits WME Group is able to provide customers and ultimately affect the financial performance of WME Group.

Acquisition accounting

In accounting for the acquisition, MLB has performed a preliminary fair value assessment of all of the assets, liabilities and contingent liabilities of WME Group, which included the identification and valuation of identifiable intangible assets. MLB will undertake a formal fair value assessment of all of the assets, liabilities and contingent liabilities of WME Group post-acquisition, which may give rise to a materially different fair value allocation to that used for the purposes of the financial information set out in this Presentation. Such a scenario will result in a reallocation of the fair value of assets and liabilities acquired to or from goodwill and also an increase or decrease in depreciation and amortisation charges in MLB's income statement (and a respective increase or decrease in net profit after tax).

Post-acquisition performance

If the acquisition of WME Group completes, many of the general market risks identified in the next section in respect of MLB will also apply to WME Group.

Key Risks: operational risks

Competition

MLB operates in a highly competitive industry where there are a large number of competitors with relatively low barriers to entry. New entrants to the market are likely and may affect MLB's market share and financial performance. There can be no assurances given in respect of MLB's ability to compete.

Demand risk, referrals, lead generation and cross-selling

MLB's performance relies upon its ability to cross-sell and to source high quality referrals and leads to generate sales. An advantage of MLB's broad service offering is the capacity to provide a full service for clients. The ability to cross-sell enables MLB to use its larger volume offerings (e.g. domain name registration products) as a gateway for customers into other services offered by MLB that typically attract a higher revenue per unit.

There are many factors which will determine the level of MLB's success in attracting these leads and referrals and converting them into sales. These include the quality and overall reputation of MLB, its brands, and the quality of referrals and leads the business can source. If MLB cannot attract and convert leads and referrals into sales at the levels anticipated, there could be an adverse impact on MLB's financial position and performance.

MLB does not have a significant portion of its revenue generated from a concentrated group of customers. However, a decrease in demand or loss of business across a broader group of customers, either based on their size or by the nature of the services taken, may have an adverse impact on MLB's financial position and performance.

Personnel

The success of a company that operates in an industry dominated by the development of intellectual property depends greatly on the recruitment and retention of quality staff. If MLB is unable to attract and retain adequately skilled staff to meet its requirements, it could have a serious effect on MLB's brand, its ability to meet the needs of clients and its ability to compete effectively.

In particular, MLB's business is complex and requires knowledge on the part of key staff in the detailed operations of different aspects of domain, web, social media and other forms of online presence as well as knowledge of emerging and rapidly evolving technologies such as Cloud, mobile applications and data analytics. This combination is unusual and MLB competes in the market for the recruitment and retention of key staff. There is a risk that the loss of key staff or any industrial action or non-compliance with relevant employment laws could impact MLB's brands, its customer service and MLB's financial performance.

Key Risks: operational risks (cont)

Technology

Technology is constantly evolving with new technologies and products which could act as substitutes, complements or supplements for the products and services offered by MLB.

The utilisation of technology and newly developed products is integral to MLB's operations and performance. Given the rate of change within the industries in which MLB operates, it is critical to MLB's performance that its systems meet and satisfy clients' requirements, via proprietary and third-party intellectual property and technology. There is a risk that MLB does not keep abreast of technology changes and does not realise the benefits of technology developments. If MLB cannot satisfy the requirements of its clients, there is a possibility that MLB could lose clients, which would affect MLB's financial position and performance.

Disruption of technology systems and key infrastructure

MLB's businesses are dependent upon the development and maintenance of technology systems, internet and other infrastructure, such as a reliable network with the necessary speed, capacity and security, for providing reliable internet access and services. The ability to maintain robust and reliable infrastructure is critical to the business. Maintenance of these systems and infrastructure are also reliant upon third party suppliers.

A major outage, either through a breakdown in MLB's or a third party supplier's infrastructure, processes or procedures, or through an external event such as a denial of service (DNS) attack which is not diverted or controlled, could cause a business interruption, impact MLB's financial performance, and result in a loss of reputation which could impact on the business' ability to retain and attract customers.

Data Protection

If the security of confidential information, personally identifiable information or proprietary information held by MLB is compromised, MLB may be exposed to liability and significant reputational risk.

MLB's systems process, transmit and store data and information relating to the personal details of MLB's clients and their clients. There is a risk that measures taken to protect the security and integrity of this data is insufficient. The result may be unauthorised access or unintended disclosure. In such circumstances, MLB may not only be exposed to legal action by those affected, it may also suffer significant brand damage, loss of customer trust and may be the subject of regulatory action or investigation, all of which may have a negative impact on the financial and operating performance of MLB.

Key Risks: operational risks (cont)

Infringement of intellectual property rights

MLB is dependent upon its ability to protect its intellectual property, which includes business processes, know-how, copyrights and trademarks. A large proportion of the ES division's activities involves creating intellectual property for MLB or for its clients. Unauthorised reproductions of MLB's intellectual property, could reduce its value.

Infringements are not always easily identified, making protection and enforcement difficult, and there is a risk that MLB may be unable to protect its intellectual property rights in all instances. In addition, identified breaches of MLB's intellectual property may require commencement of legal action, which can be costly and comes with no certainty of outcome.

Failure to protect intellectual property rights may have an adverse impact on MLB's business, brand and operating results. In addition, there is a risk that third parties may allege that MLB has infringed their intellectual property. MLB may be the subject of claims that could result in costly disputes and litigation and the payment of damages, which could have an impact on MLB's business, brand and operating results.

Limited range of products and services

MLB has a reliance on two particular market segments. MLB's products and services are primarily directed towards small to medium size businesses (SMB) and enterprise services (ES). The SMB business provides a range of services ranging from basic domain name hosting through to building web sites, and online marketing services. The ES business provides a variety of cloud, analytic and online optimisation solutions to clients. The sale of MLB's products and services are sensitive to and could be materially reduced due to factors beyond MLB's control, such as a disruptive technology solutions which lessen demand for MLB's offerings, material downturn in demand for the nature of services provide by the SMB and ES divisions, or regulatory changes impacting its clients.

Debtor risk

MLB does not have any significant credit risk to any single counterparty or group of counterparties having similar characteristics. However, as with any customer based organisation, MLB is exposed to receivables from clients and changes in market and/or regulatory conditions could result in some of those clients coming under financial distress and delaying or defaulting on payments due.

Key Risks: general risks (cont)

Market

Investors should be aware that there are risks associated with any investment in a company listed on ASX. The market value of MLB shares will fluctuate depending on the price at which MLB shares are traded on ASX, and may rise above or below the current MLB share price depending on:

- a) the financial and operating performance of MLB; and
- b) external factors over which MLB and the Directors have no control.

These external factors (which are unpredictable and may be unrelated or disproportionate to the performance of MLB) include:

- a) economic conditions in Australia, the other markets in which MLB has operations and overseas generally which may have a negative impact on equity capital markets;
- b) changing sentiment in the local and international stock markets;
- c) changes in domestic or international fiscal, monetary, regulatory and other government policies; and
- d) developments and general conditions in the various markets in which MLB operates (and proposes to operate) and which may impact on the future value and pricing of shares.

Litigation and disputes

From time to time, MLB is involved in litigation and disputes. There is a risk that the resolution of litigation and disputes may result in provisions for such litigation and disputes being exceeded. There is also the risk that MLB's reputation may suffer due to the profile of, and public scrutiny surrounding, any such litigation and disputes regardless of their outcome.

Changes in accounting policy

Changes in accounting policies, arising from recently issued or amended accounting standards by the Australian Accounting Standards Board or the equivalent bodies in the other countries in which MLB has operations, may affect the reported earnings of MLB and its financial position from time to time.

Tax changes

Future changes in Australian taxation law, or the tax law of other jurisdictions in which MLB has operations, including changes in interpretation or application of the law by the courts or taxation authorities, or MLB's method of calculation, may affect taxation treatment of an investment in MLB's shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted in the various jurisdictions in which MLB operates, or MLB's methods of calculation, may impact the tax liabilities of MLB.

Key Risks: general risks (cont)

Exchange rates

MLB is exposed to movements in foreign exchange rates. MLB's financial statements are maintained in Australian dollars. However, a portion on MLB's income is earned in other currencies, primarily New Zealand dollars and United States dollars. Exchange rate movements in these currencies will impact MLB income statement and balance sheet to the extent the foreign exchange rate risk is not hedged or appropriately hedged.

Domestic and global economic conditions

Adverse changes in economic conditions such as economic growth, interest rates, employment levels, consumer demand, consumer and business sentiment, market volatility, exchange rates, inflation, government policy, international economic conditions and employment rates amongst others are outside MLB's control and have the potential to have an adverse impact on MLB and its operations.

Dividends

The payment of dividends on MLB's shares is dependent on a range of factors including its profitability, the availability of cash and capital requirements of the business. Any future dividend levels will be determined by the MLB Board having regard to its operating results and financial position at the relevant time. On page 10 of this presentation, MLB has stated that the MLB dividend policy is not changed following the acquisition of WME Group. Nevertheless, there is no guarantee that any dividend will be paid by MLB or, if paid, that the dividend will be paid on previous levels.

The level to which MLB is able to frank dividends declared is subject to a large number of factors in addition to those outlined above for dividends. While under its dividend policy MLB aims to frank dividends to the maximum extent possible, there is no guarantee that any dividend will be franked, or franked at previous levels.

Regulatory risk

It is possible that MLB will be subject to new government policies, regulations and legislation being introduced and also changes to existing government policies, regulations and legislation or similar rules and regulations from industry self-regulating bodies. These changes may occur in Australia or in other jurisdictions. Changes to the existing regulatory regime may increase compliance costs, reduce efficiency and affect MLB's financial performance.

Dilution

If you do not take up all or part of your entitlement, then your percentage shareholding in MLB will be diluted by not participating to the full extent in the Offer and you will not be exposed to future increases or decreases in MLB's share price in respect of the new shares which would have been issued to you had you taken up all of your entitlement.



Appendix D: International Selling Restrictions

Foreign Selling Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Foreign Selling Restrictions

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Foreign Selling Restrictions

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA.

This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.