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28 May 2018

MELBOURNE IT LTD (ASX: MLB)

2018 Annual General Meeting
Chair's Address and CEO's Presentation

In accordance with ASX Listing Rule 3.13.3, attached is a copy of the Chair's Address and the CEO's presentation to be delivered at the Annual General Meeting which will be held today.

As previously advised, the AGM will be webcast live. The webcast will be accessible via this URL link https://webcast.openbriefing.com/4466/. **Participants will need to register to access the webcast.** The webcast will be activated 15 minutes prior to the start of the meeting.

For any enquiries, please contact:

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ENDS.

About Melbourne IT

Melbourne IT Group is a publicly listed company with offices in Melbourne, Sydney, Brisbane, and Auckland.

Melbourne IT has approximately 850 staff and operates two businesses marketed under 8 brands.

The Small and Medium Business Division (SMB) is Australia's largest domains and hosting business with revenues of approximately $100m and 300 staff. The SMB business operates under the Melbourne IT, WebCentral, Netregistry, WME, Domainz and TPP brands.

The Enterprise Services Business (ES) is Australia's leading provider of digital solutions to large enterprises and government organisations with revenues of approximately $95m and 430 staff. ES is based in Sydney, Melbourne and Brisbane and has a blue chip customer base. It operates under three brands, Melbourne IT, Infoready and Outware.

Visit: www.melbourneit.com.au

Melbourne IT Ltd
2018 AGM
Chair's Address

Last year I talked about having completed the three year transformation journey that the business embarked on under Martin's leadership and with the support of the Board. To remind you, that journey entailed moving from being a predominantly domains and hosting provider to becoming the market leader in the provision of digital customer facing and marketing solutions to both small business and large enterprises. In 2017, having achieved that goal, and while continuing to grow both the top and bottom lines of the Group, we also turned our attention to putting in place the infrastructure that the Company needs to continue its growth in the future and maintain its market leadership, customer advocacy and staff engagement.

By the term "infrastructure", I am referring to;

- the remuneration and reward systems that are needed to attract and retain the top talent that's essential for a leading technology company,
- more contemporary, robust and scalable internal systems and processes, and
- investment in new premises and a new brand, one that is more representative of the business Melbourne IT has become, that would unite the various cultures from the businesses we've acquired over those three years, that would give us a fresh and exciting face in the war for talent, and would resonate with our customers.

The new brand will be launched today, being our annual general meeting, and I speak for the board when I say we are very excited to reveal what we believe will be a unifying force as we move into the future.

This is our inaugural AGM in Sydney. The change of the location is a small example of why the old brand no longer represents who we are. Most of our board members are located in Sydney as is most of the management team and this has been the case for some time. In addition, Sydney has been the location of our registered office for almost two years now.

I won't steal any more of Martin's thunder about the new Brand and I'll move on to a quick summary of the key highlights of 2017.

2017 was a watershed year for Melbourne IT and its shareholders, growing revenue and underlying EBITDA, adding new customers, and providing consistent improvement in shareholder return.

To illustrate, over the last four years, Melbourne IT Group has continued to grow the top line at a compound annual growth rate of 18%, increasing from $103.4m in 2013 to $197.8m in 2017, underlying EBITDA has grown at a CAGR of 61% from $5.8 m to $38.6m, and underlying EPS has grown at a CAGR of 23% from 7.5c to 17cents.

The company has delivered an extraordinary 181% total shareholder return over the past 3 years and we entered the ASX300 in March 2018.

These results continue to confirm that our consistent execution against a clearly defined strategy is driving strong growth in the business which the market has now recognised.

Considering the financial results for 2017, the Board of Melbourne IT was pleased to support a 38% increase in our dividend to 11.0 cents per share, fully franked. We remain committed to delivering ongoing value for our shareholders.

Martin will talk to the 2018 guidance in his presentation.

We continued the Board refresh program in 2017 and appointed two new directors, Andrew MacPherson and Simon Martin. As foreshadowed at last year's AGM we had embarked on a search to find a non-executive director who could bring greater depth in large enterprise technology consulting services to the Board and Andrew amply filled that gap. Andrew will talk more about his background when we move to his election.

Simon Martin brings increased depth in the pricing and provision of software services at scale to small and medium enterprises as well as deep experience in M&A and capital management. Simon will also talk briefly about his background when he stands for election later in the meeting.

As signalled in the ASX Announcement of April 26th, both John Armstrong and I will be retiring from the Board following the conclusion of these proceedings. The reasons for our retirements were communicated in that announcement.

Since his appointment to the Board in 2015, and his appointment as Chair of the Audit and Risk Management Committee in 2016, John has made a substantial contribution to the company and steered it through several capital raisings and acquisitions, as well as a change in CFO. We wish him all the best in the future. Fortunately, Simon

Martin who has a similar executive background to John is eminently qualified to step into John's shoes as the new Chair of the Audit and Risk Management Committee and his appointment was unanimously supported by the Board.

It is with some considerable regret that I will also step down following this meeting. We have a search underway for a new Chair and we have some very strong candidates and hope to make an announcement soon. The outstanding performance of the company has meant that there is a lot of interest in this role. In the interim, Andrew MacPherson has also been unanimously supported by the Board to step into the role of interim Chair to guide the process of appointing the new Chair along with all the Board members.

Both John and I remain very strong supporters of the Company, the strategy and the management team led by Martin Mercer and look forward, as shareholders, to enjoying the fruits of the next stage of its growth.

Martin and his Leadership team have once again done an outstanding job driving the company forward and have a laser-like focus on ensuring that Melbourne IT continues to deliver for our shareholders, our customers, and our people.

We owe a tremendous amount to our people at all levels across the business who work with our customers every day. Right across the business spectrum, from small businesses to large government and enterprises, our people are helping our customers connect with and understand their own customers more effectively. Our people are specialists in the contemporary technologies that enable these connections. They are the backbone of our company and we would like to thank them for the work they do every day.

I would also like to express our appreciation to you, our shareholders, for your continued support. You've accompanied us as we've grown and dramatically changed the business and I am confident that we will continue to deliver shareholder value over the coming years.

2018 AGM

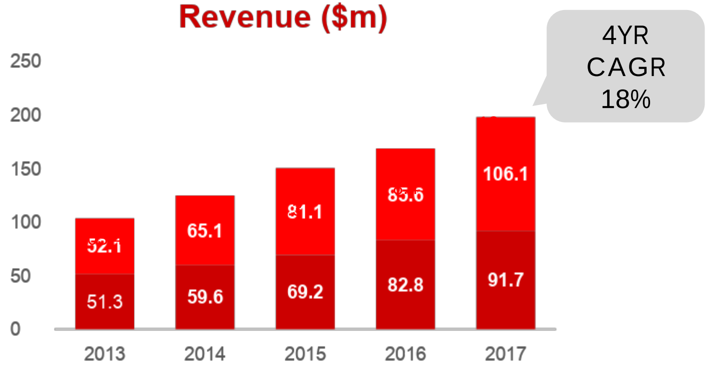
CEO's Address

Martin Mercer

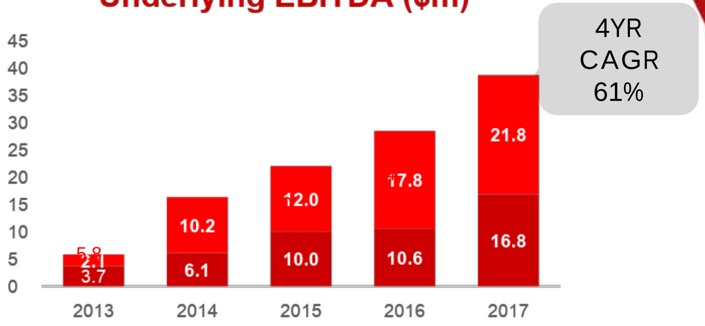
Track record: consistent growth

MELBOURNE IT GROUP

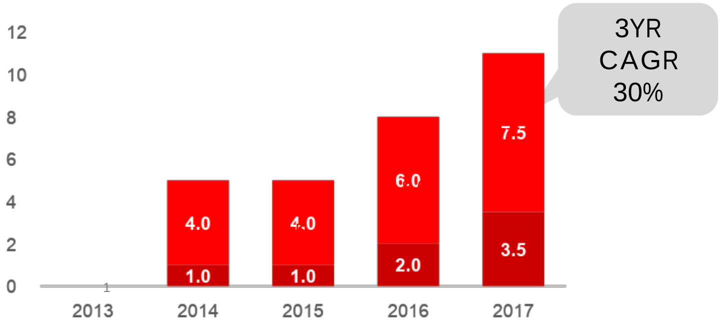
Revenue ($m)



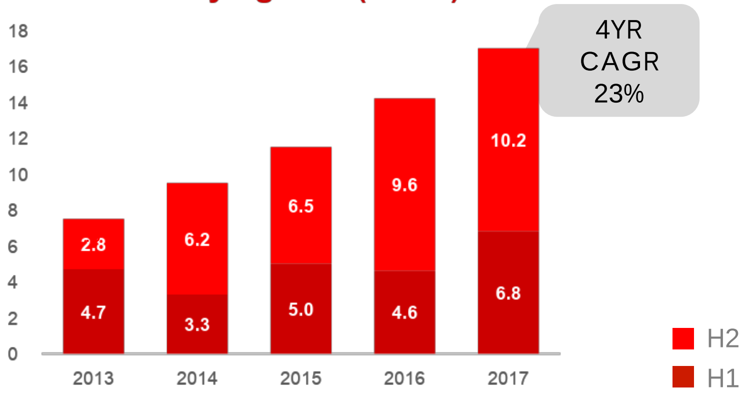
Underlying EBITDA ($m)



Dividend (cps)



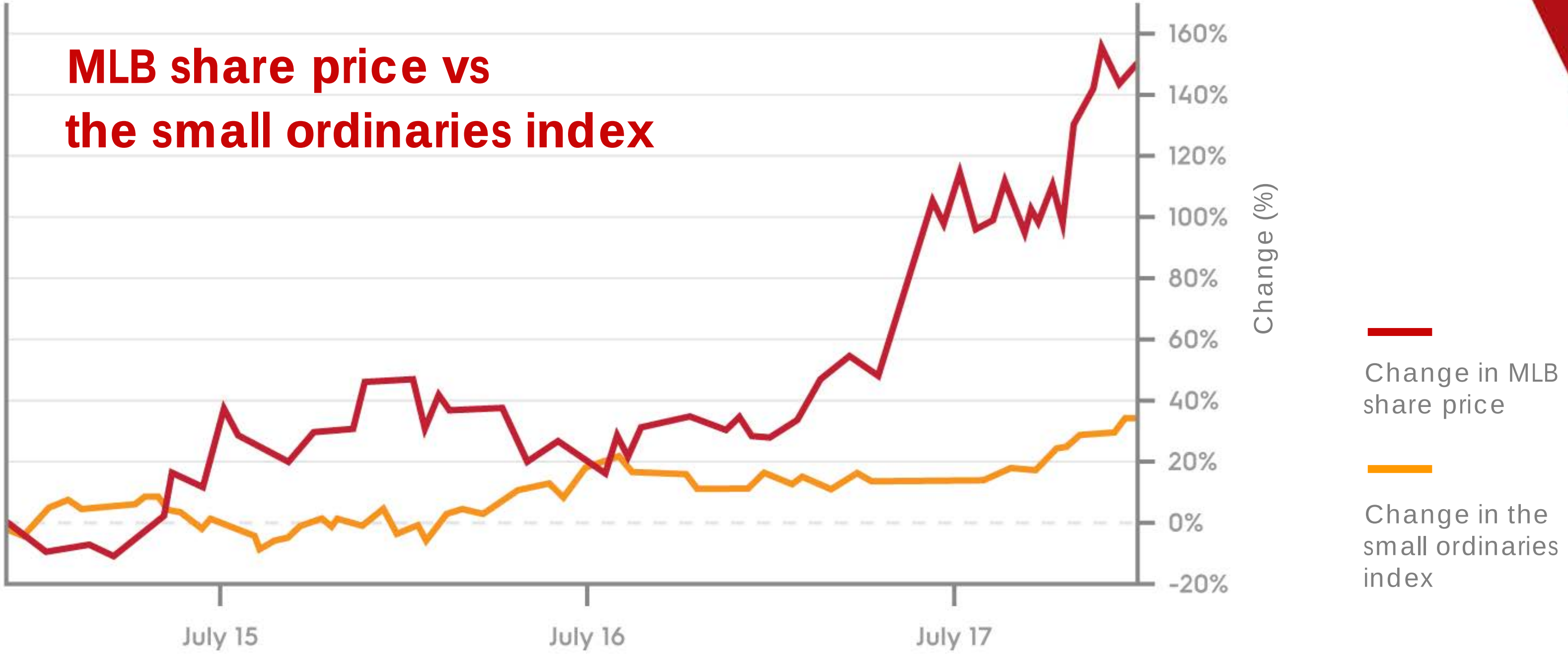
Underlying EPS (cents)



1. A one-off special dividend of 25.0 cents per share was paid in 2013 following the divestment of the Group's DBS business unit. No other dividend was paid to shareholders in that year.

Underlying financial information presented excludes one-off and non-recurring expenses/ income, and includes the pro forma impacts of acquisitions/divestments made in the financial period as if that acquisition/divestment had applied for the entire financial period.

Shareholder return: 181% TSR over the past 3 yrs



TSR calculated over the three years to 31 December 2017 as calculated by independent party, Mercer Consulting.

FY 2018 outlook: guidance affirmed

Measure	Range (pre AASB15)[1]	⇳ %[2]	Comment
Underlying EBITDA ($M)[2]	$41.5 - $45.5	13% ↑	Includes additional investment in occupancy costs of $2.7m to support organic growth in headcount, as well as additional headcount investment to ensure sustainable growth in solutions businesses.
Underlying EPS (cents per share)	17.3 – 19.6	8.5% ↑	Includes annualized impact of amortisation of acquired WME intangible assets (0.3cps), plus additional depreciation as a result of the planned investment in the fitout of new office space in Sydney and Melbourne (0.7cps).
Dividend	55% - 75%		Dividends in 2018 will be determined by reference to a payout ratio in the range of 55% to 75% of underlying NPAT.

- FY18 has started well and we are trading in line with expectations, with pleasing year-on-year growth in solutions across both ES and SMB.
- Over 2017 and 2018 we are making investments to maintain the strong growth of recent years. As a result in FY18 we expect revenue to grow in line with last year but EBITDA and profit will temporarily grow at a slower rate than recent years.
- Having absorbed these investments in FY18, EBITDA and profit growth will accelerate in FY19.

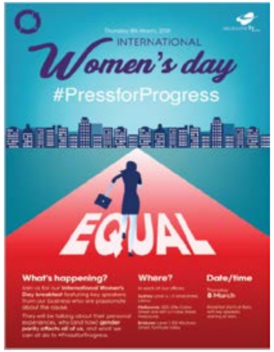
1. 2018 outlook is prepared using 2017 revenue recognition policies (i.e. AASB 118: Revenue). The Group is still finalising the projected impact of the adoption of AASB 15: Revenue from Contracts with Customers and will provide an update when the projected impact is finalized.
2. Change on last year calculated from the mid-point of the guidance range (pre AASB 15) and last year's actual result

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.

Culture: central to our transformation

Over the last 4 years:

- >30% improvement in **Engagement**
- >30% improvement in **Gender Diversity**
- 5 fold increase in **Training** investment
- 500% increase in investment in **Leadership Development**
- Expansion and design of two **New Premises**
- Cultural **Rebrand** and new **'Ways of Working'**



New offices: Sydney and Melbourne

Welcome to…

ARQ group

We unleash the possibilities between business and people.

ES: strategy and execution

ES: facts and figures

1 **Early market leader** - developer and “ever-greener” of digital products and services for corporate and government customers with large consumer customer bases.

2 **Strong Growth** - underlying EBITDA growing at ~20%pa.

3 **Expertise** - more than 450 design, digital, analytics and engineering professionals across Sydney, Melbourne and Brisbane.

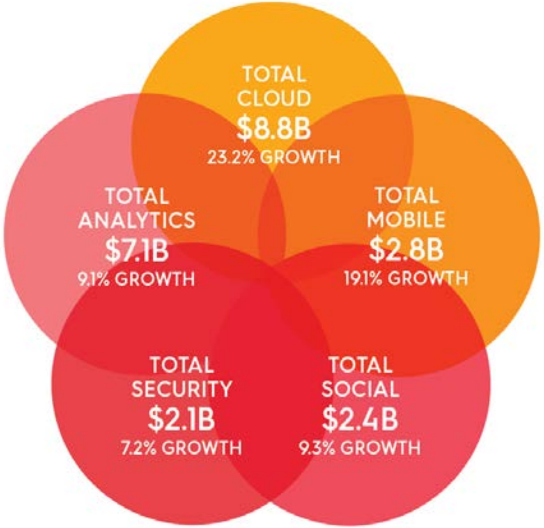
IBM Silver Business Partner
Specialist
Advanced Analytics
Integration and Governance
Watson Commerce

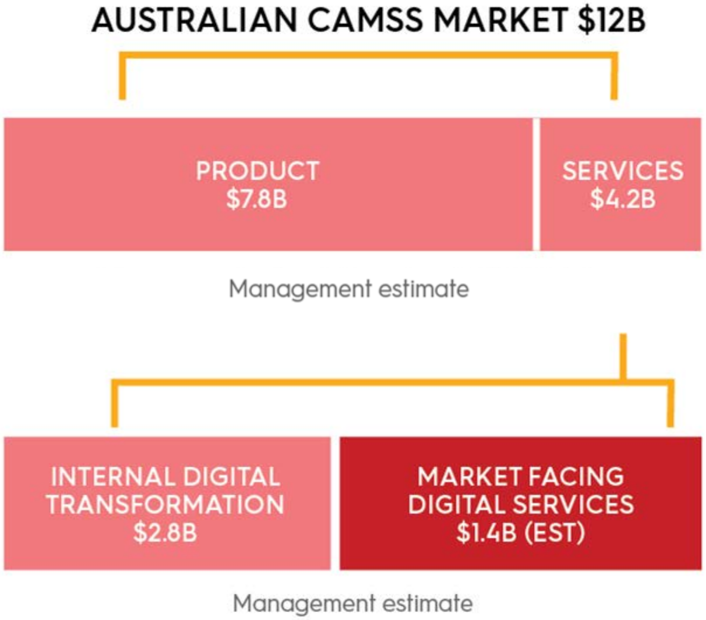
4 **Culture of Innovation and Customer Excellence.**

2018 Asia Pacific Innovation Partner

5 **Enterprise Grade** - blue Chip customer base, partnerships with 50% of the ASX top 20. Significant recurring revenues and repeatable project revenue. Governance and balance sheet suitable for Enterprise & Government engagement.

ES solutions opportunity: $1.4b market in 2017 growing at ~ 10%pa



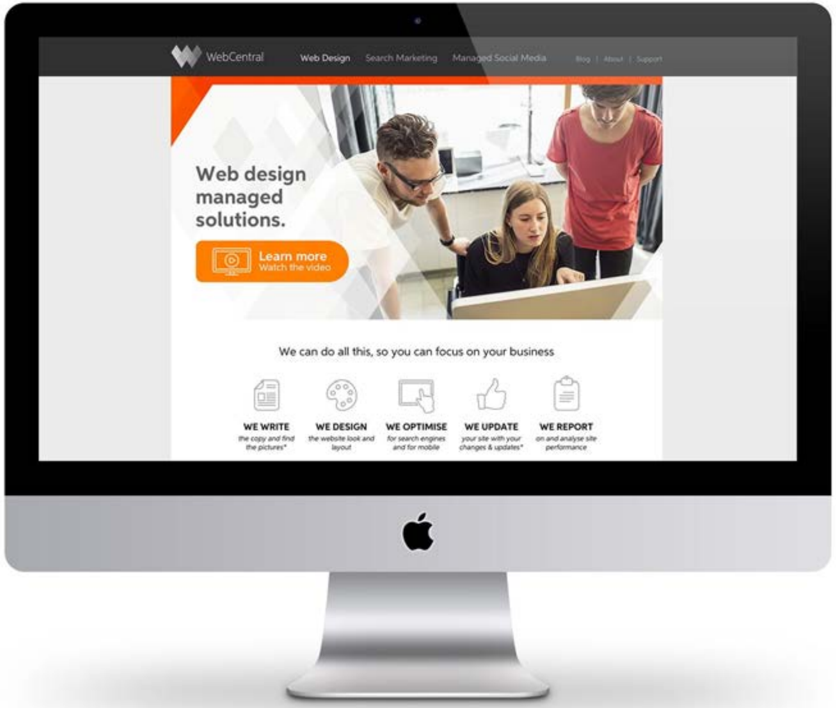


Source: IBM 2017

Note: Data in charts represents ANZ. Australia is 88% of the total.

ES Customers: marquee brands

SMB: strategy and execution



SMB: facts and figures

1. **Approximately 300 employees** with offices in Melbourne, Sydney, Brisbane and Auckland.

2. **Largest Australian** domain name and web hosting provider, with more than 40% market share.

3. **Rapidly growing digital solutions business** – the key to revenue growth and value creation. A market leader following the acquisition of WME.

4. We have helped fuel the success of **more than 600,000 Australian SMB customers.**

5. **A portfolio of recognizable SME brands.**

SMB solutions opportunity: ~$2B market growing at 10% pa

SOLUTIONS MARKET

90%

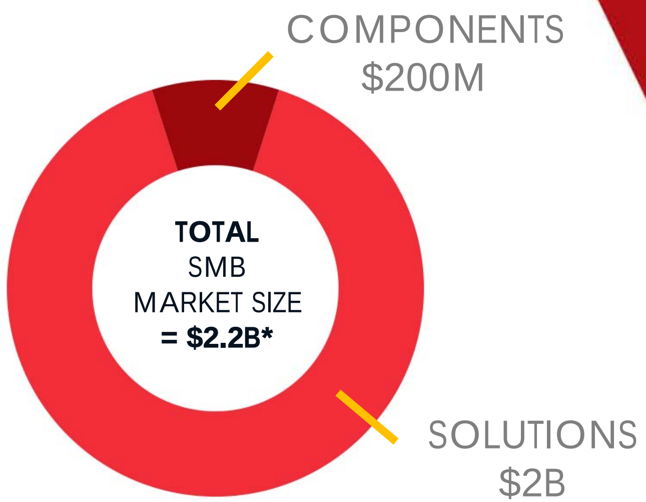
- Customers prepared to pay for digital marketing solutions that meet a need or solve a problem
- Highly fragmented market with no major competitor in Australia
- Market growing at 10%+ per annum
- Average revenue per user (ARPU) $200-$1,000pm

COMPONENTS MARKET

10%

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

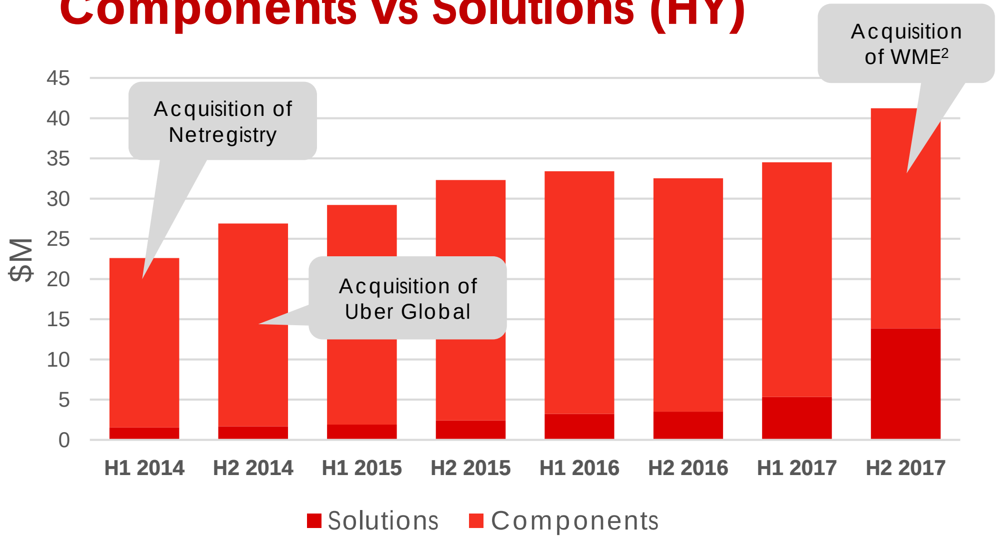
SMB Growth from Solutions



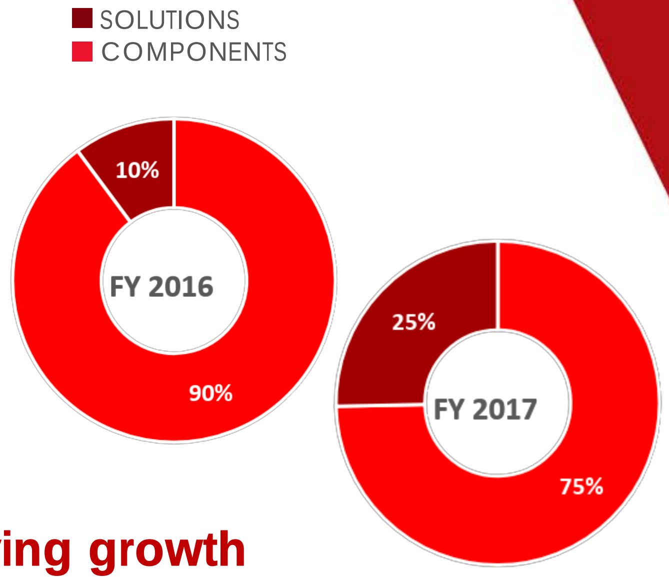
* Revised market size following independent study from Growth Solutions Group, 2016. Commissioned by Melbourne IT.

Execution: revenue growth

Direct Revenue – Components vs Solutions (HY)



REVENUE SPLIT BY SEGMENT



rapidly growing solutions revenue driving growth

Notes:

1. Solutions revenue for prior periods has been restated to ensure consistency with revenue classification for WME – results in a decrease in reported solutions revenue for prior periods and a corresponding increase in components revenue. No impact on overall revenue.
2. FY 2017 result includes seven months of WME revenue.

Summary

1. Strong FY 2017 result reinforces growing momentum;
    - revenue up 17%
    - underlying EBITDA up 36%
    - underlying EPS up 20%
2. Good growth expected in 2018;
    - underlying EBITDA of $41.5m - $45.5M
    - underlying EPS of 17.3c – 19.6c
3. Solutions strategy is driving real growth;
    - Strong growth vs pcp in solutions revenue;
        - 34% in ES and 194% in SMB
    - Translating to strong growth in underlying EBITDA;
        - 14% in ES and 48% in SMB

growth in solutions in both ES and SMB driving sustainable growth

2018 AGM

MELBOURNE IT GROUP

Q&A