H1 FY18 RESULTS

INVESTOR PRESENTATION

23 August 2018

Agenda

- Overview
- Financial Performance
- Segment Review
- Cash and Capital
- FY18 Outlook
- Appendix A – Financial Information
- Appendix B – Transition to AASB 15: Revenue from Contracts with Customers

H1 FY18 Results:
Overview

H1 FY18 Result: snapshot

Consistent execution against a clearly defined strategy continues to drive growth

Financial Results[1]

Total Revenue
$112.4m
(↑23.5%)

Underlying EBITDA[2]
$18.6m
(↑12.0%)

Underlying EPS[2]
7.7cps
(↑16.7%)

Dividend

3.5 cps (fully franked)

Balance Sheet

1.5x net debt/EBITDA, operating well within covenants

Enterprise Services

Strong performance driven by structural growth for mobile applications and data & analytics;

- revenue up 39.3% and underlying EBITDA up 112.7% (vs H1 FY17)
- new customer wins continue with strong renewals story

Small Medium Business

SMB performance has been mixed;

- revenue up 8.7% and underlying EBITDA down 31.0% (vs H1 FY17)
- a combination of external factors and lower than expected solutions sales impacting result

1. Comparisons versus H1 FY17 financials are based on FY17 financials restated for the adoption of new standards effective as of 1 January 2018, specifically AASB 15: Revenue from Contracts with Customers. The adoption of AASB 9: Financial Instruments, did not have a material impact on FY2017 financials
2. Underlying EBITDA and EPS excludes one-off and non-recurring expenses and takes into account the pro forma contribution of WME Group prior to May 2017

ARQ group

H1 FY18: operational highlights

Good progress is being made on major initiatives across the company

- Development and launch of **new brand** and company identity
- Moved into **new offices** in Melbourne and Sydney
- Secured a **new debt facility** for the Group
- **New Chair appointed**, Mr Andrew Reitzer commenced on 1 August 2018
- Relaunch of **Netregistry brand**, evolving the legacy brand proposition from domains and hosting into a complete online solutions partner for small business
- Key **customer wins** in ES including Anglo American, Aurecon, Bunnings, Eclipx, Linfox and Pfizer
- **Team size** increased by 10.6% on same period last year, or 79 people, including 82 billable heads
- **Gender diversity** continuing to improve and half of all leadership positions now occupied by women
- **Strong culture** with measured staff engagement increasing by 4 percentage points on the same period last year

ARQ group

Outlook: FY18 & FY19

ARQ Group is well placed to rebound in FY19 and continue to deliver earnings growth for shareholders

Measure	Revised (Aug 2018)	FY19 Growth %[1]		
		SMB	ES	Group
Pre AASB 15				
Underlying EBITDA ($m)	37.9 – 39.9			
Underlying EPS (cents per share)	14.7 - 15.9			
Post AASB 15[2]				
Underlying EBITDA ($m)	37.0 – 39.0	0-5%	10-20%	7-15%
Underlying EPS (cents per share)	14.2 - 15.4			

1. Compared to the midpoint of the revised FY18 guidance range
2. The adoption of AASB 15: Revenue from Contracts with Customers is not expected to have a material impact on revenue or profitability for the Group in FY18. Refer to Appendix B of this presentation for further detail on expected impact .

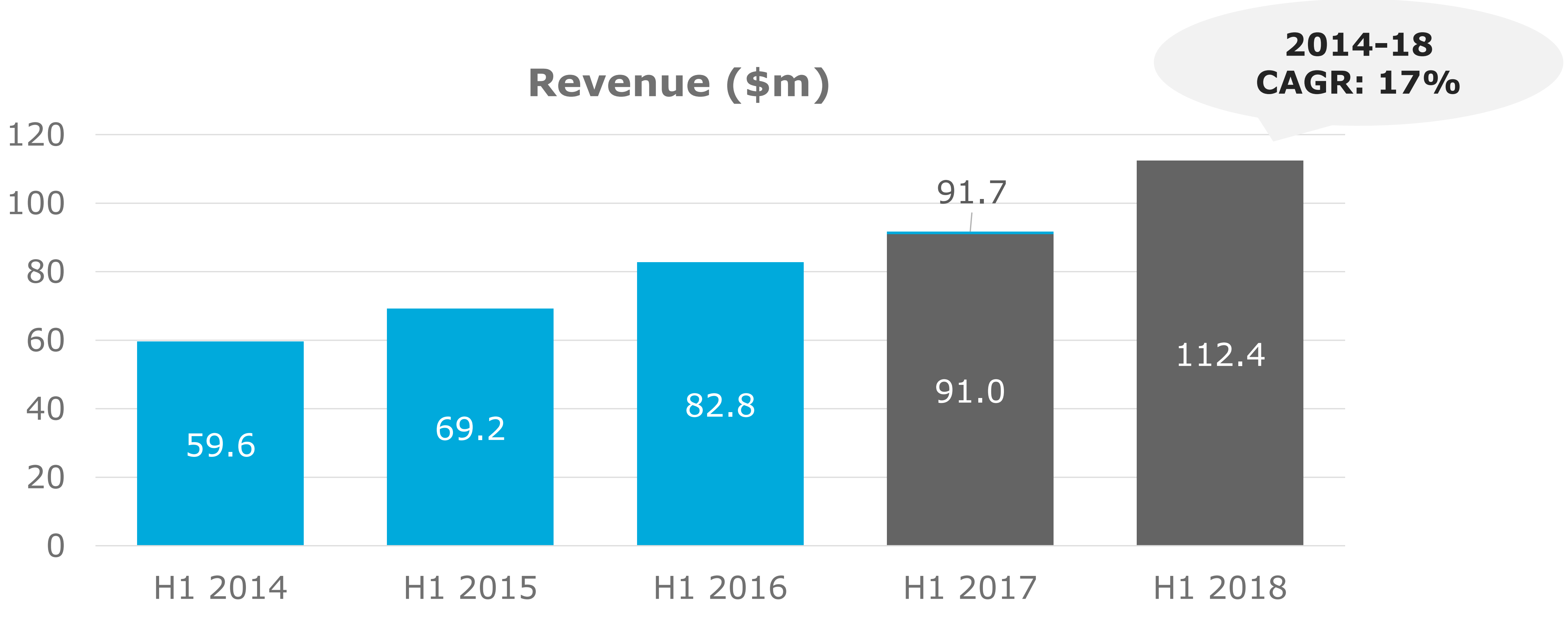
Outlook: FY18 & FY19

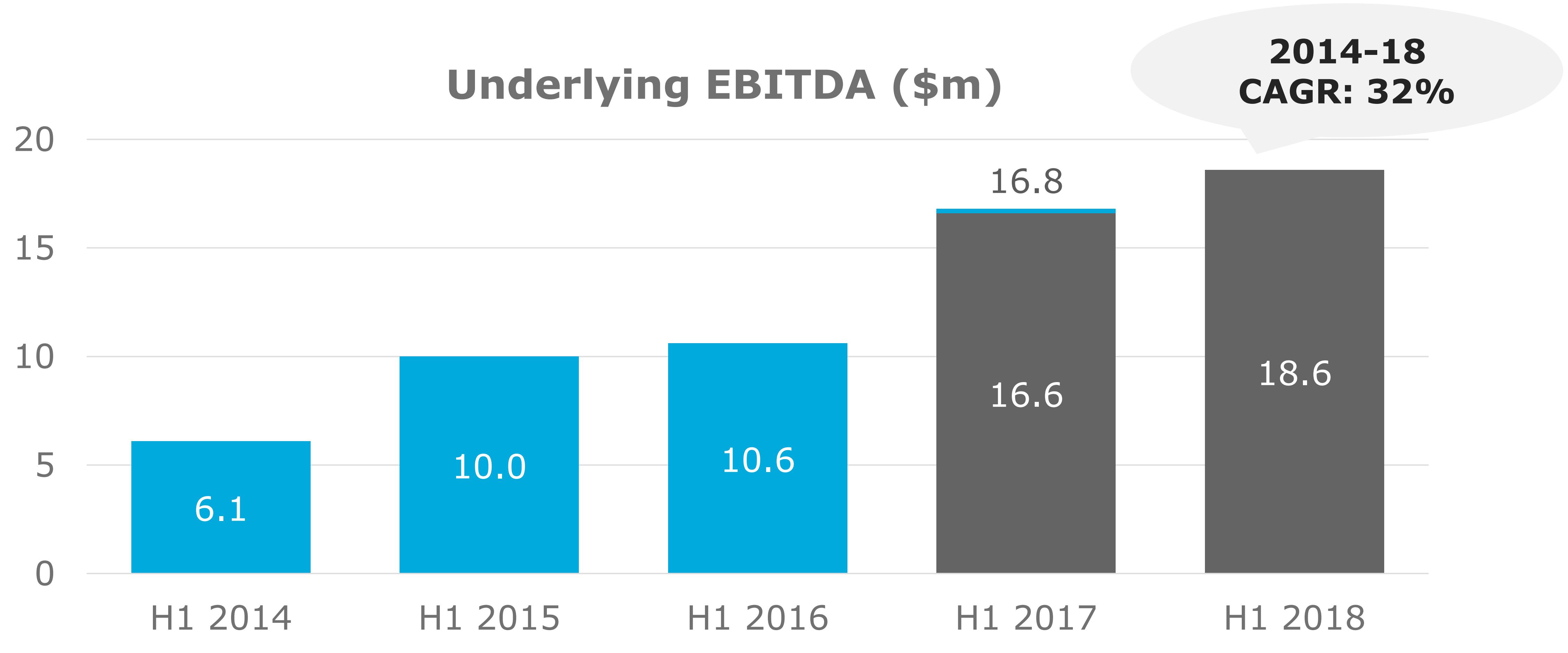
ARQ Group expects to deliver double digit growth in underlying EBITDA in FY19

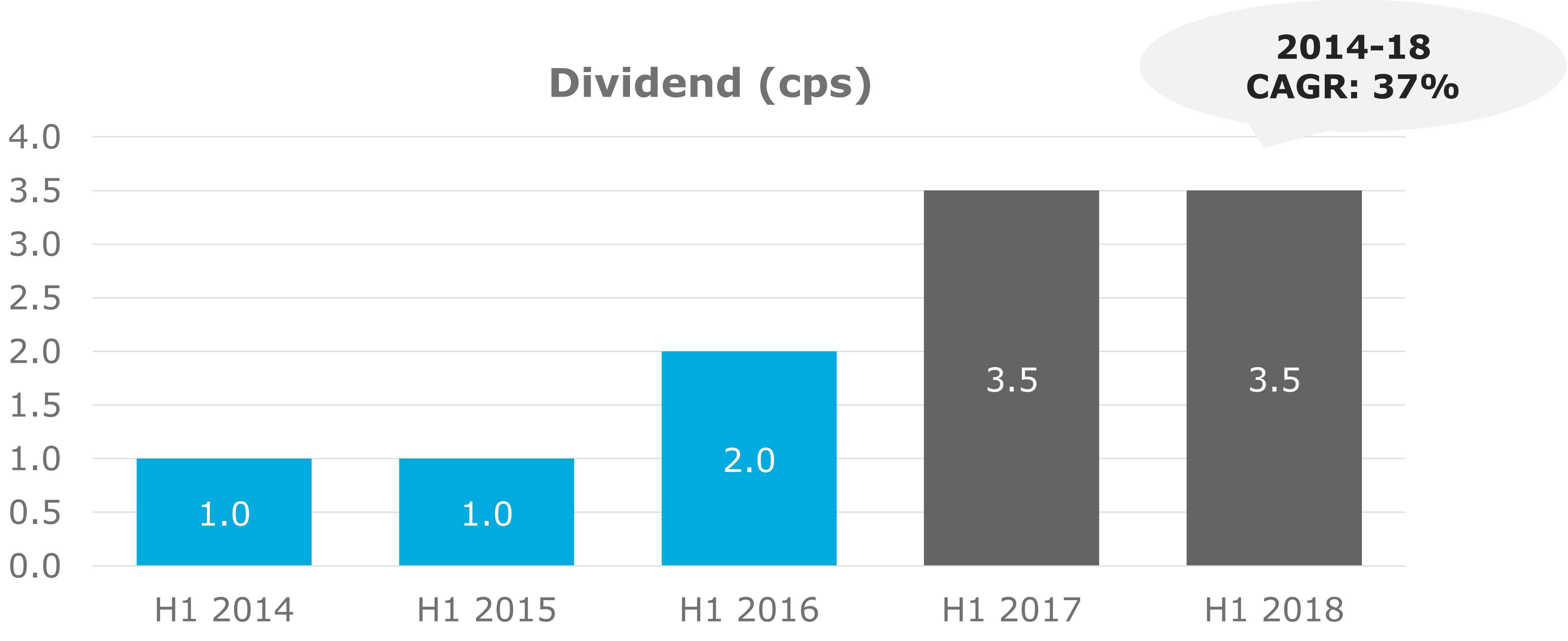
- In H1 FY18 we successfully laid the foundations for continued growth and delivered on several major companywide initiatives including launching a new brand and company identity and moving into new offices in Sydney and Melbourne
- Following an exceptional H1, our Enterprise Services division will finish the year comfortably ahead of forecast
- SMB's performance is being impacted by two factors:
  - lower sales of solutions services in WME, and
  - a major telco is rationalising its product suite leading to the unexpected cancellation of some services – this has an annualised impact of $4.0m EBITDA (with $0.5m expected in H2 FY18 and a further $3.5m in FY19) in hosting
- We anticipate that ES underlying EBITDA will grow strongly in FY19
- We anticipate that SMB underlying EBITDA will grow in FY19 (notwithstanding the FY19 impact of service cancellations)
- The Group expects to grow underlying EBITDA by between 7% - 15% in FY19
- The Group expects that underlying EBITDA growth will accelerate to 10% - 20% in FY20

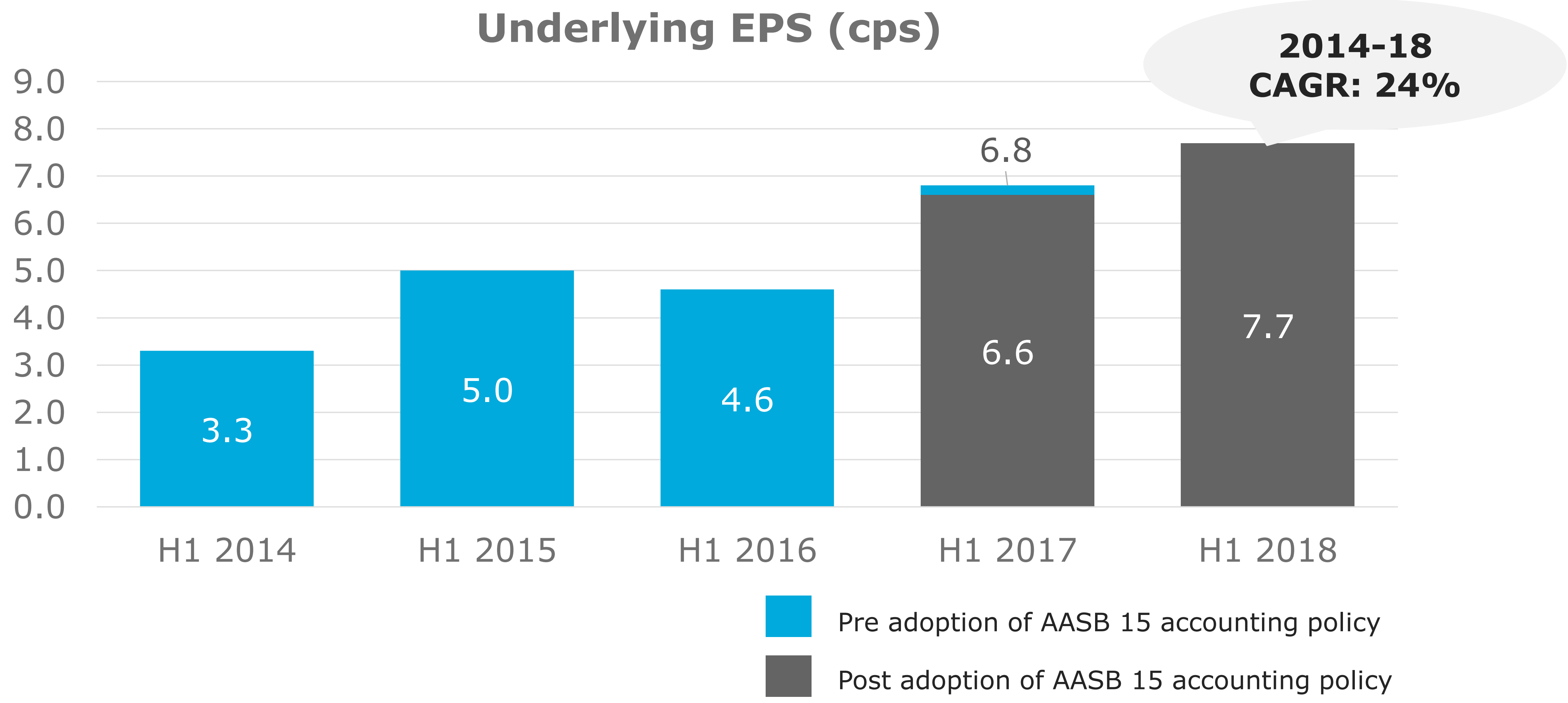
H1 FY18 Results:
Financial Performance

Track record: consistent growth









ARQ group

H1 FY18 Results: reported[2]

Half year ended 30 June 2018	H1 FY18	H1 FY17 (restated)[1]	Δ%	Notes
Revenue	$112.4m	$91.0m	23.5%	Strong organic growth from ES combined with full six months contribution from WME Group[3]
EBITDA	$8.5m	$15.1m	(43.7)%	Underlying growth of 12.0% offset by one-off items including investment in new brand and loss on reassessment of contingent consideration liability in relation to InfoReady
EBITDA margin	7.6%	16.6%	(9.0)%	Impacted by one-off items mentioned above
NPAT	$(2.7)m	$7.7m	(135.1)%	Organic growth and contributions more than offset by one-off items, higher D&A and interest
EPS (cents)	(2.3)c	7.3c	(131.5)%	

1. FY17 financials have been restated for the adoption of new standards effective as of 1 January 2018, specifically AASB 15: Revenue from Contracts with Customers. AASB 9:Financial Instruments did not have a material impact on FY17 results
2. Figures throughout this document may not be exact due to rounding and includes non-IFRS financial information that is relevant for users understanding the performance of the business
3. Organic growth of 11.5% after normalizing for the acquisition of WME in May 2017

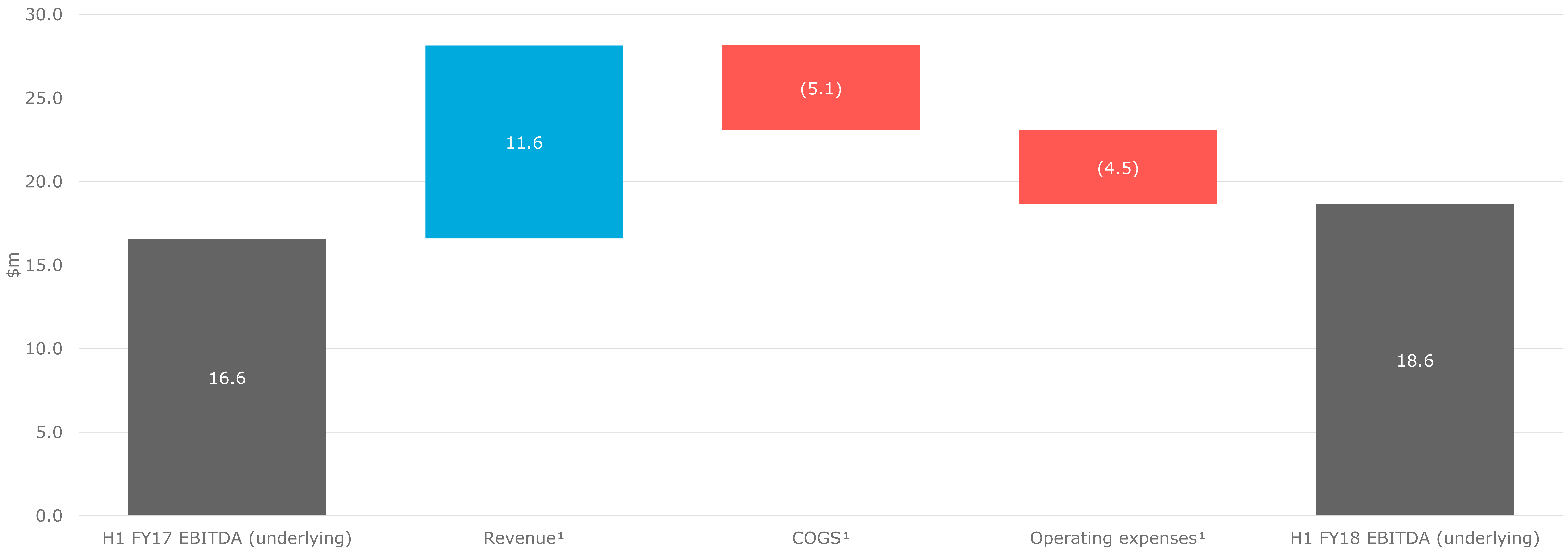
H1 FY18 Results: reported[2]

Half year ended 30 June 2018	H1 FY18	H1 FY17 (restated)[1]	Δ%	Notes
Revenue (exc. interest)	$112.4m	$91.0m	23.5%	Strong organic growth from ES combined with full six months contribution from WME Group
COGS	$(48.9)m	$(42.0)m	16.4%	Full contribution of higher margin WME Group and higher employee utilisation in ES
Gross margin (excl. interest)	**$63.5m**	**$49.0m**	**29.6%**	Organic growth and contributions combined with improved COGS performance
Other income	$0.0m	$5.9m	(100.0)%	2017 relates to gain on accelerated settlement of Outware option liability
Operating expenses	$(55.0)m	$(39.8)m	38.2%	Full six months contribution from WME Group and growth in FTEs and associated costs
EBITDA	**$8.5m**	**$15.1m**	**(43.7)%**	Underlying growth of 12% offset by Arq brand costs and loss on reassessment of contingent consideration liability in relation to Infoready
D&A	$(8.5)m	$(3.6)m	136.1%	Accelerated amortisation of WebCentral brand as a result of the rebranding and higher depreciation due to office moves
Net interest expense	$(1.3)m	$(1.1)m	18.2%	Higher interest bearing loan outstanding
Income tax expense	$(1.3)m	$(2.5)m	(48.0)%	H1 FY18 was impacted by non-tax deducible expenses whereas H1 FY17 was impacted by non-assessable income
Profit attributable to NCI	$(0.1)m	$(0.2)m	(50.0)%	Growth in ownership stake of Outware from to 100% in February 2017
NPAT	**$(2.7)m**	**$7.7m**	**(135.1)%**	Impacted by one-off items, higher D&A and interest

1. FY17 financials have been restated for the adoption of new standards effective as of 1 January 2018, specifically AASB 15: Revenue from Contracts with Customers. AASB 9: Financial Instruments did not have a material impact on FY17 results

H1 FY18: underlying EBITDA bridge

Underlying EBITDA margins have improved, notwithstanding investments in the business for sustainable future growth



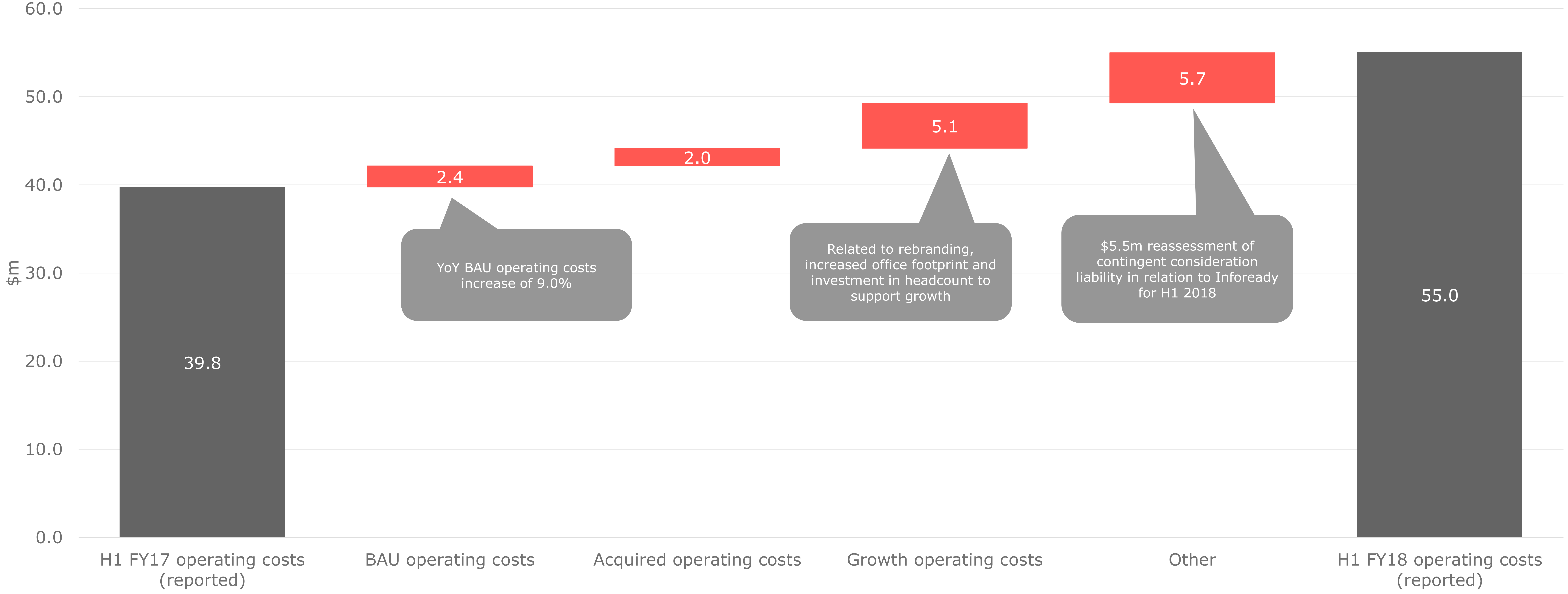
16.4% margin

16.6% margin

1. YoY movements are derived off pro forma revenue, COGs and operating expenses

H1 FY18: operating costs bridge

Investments are being made to ensure sustainable growth in solutions businesses



1. BAU operating costs includes investment in marketing, technology, integration and pay increases

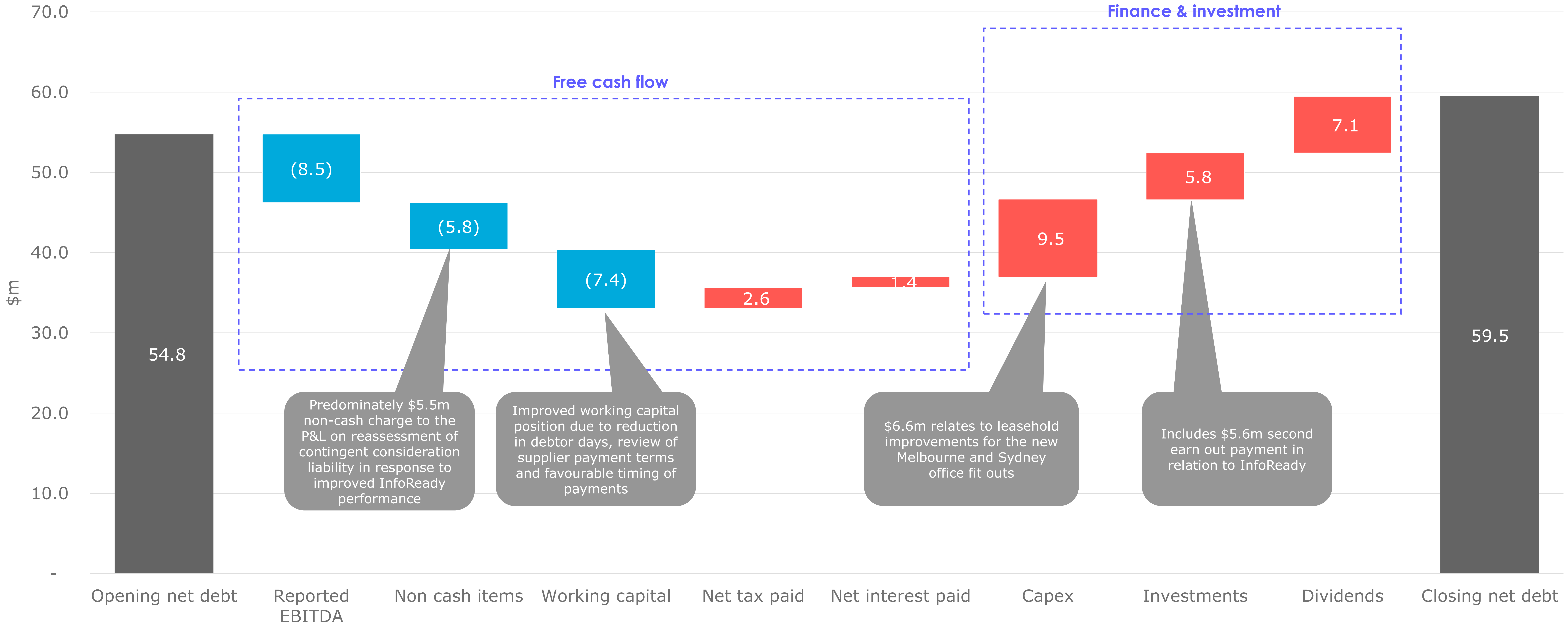
H1 FY18: underlying NPAT bridge

Underlying NPAT being driven by underlying EBITDA growth and the underlying effective tax rate returning to normal levels

1. Underlying EBITDA excludes one-off and non-recurring expenses and takes into account pro forma contribution of WME Group prior to May 2017

H1 FY18: net debt movement

Positive operating cash flow generated by the business has been used to fund investment for future growth



ARQ group

H1 FY18: segment results

Strong growth in ES combined with full six month contribution from WME Group has delivered good growth for ARQ Group

Half year ended 30 June 2018	ES	Δ%	SMB	Δ%	Corporate	Arq Group
Revenue	$61.0m	39.3%	$51.4m	8.7%	-	$112.4m
Gross Margin	$30.8m	54.0%	$32.7m	12.8%	-	$63.5m
Operating Expenses[1]	$(17.4)m	27.0%	$(23.4)m	26.5%	$(4.1)m	$(44.9)m
Underlying EBITDA[2]	**$13.4m**	**112.7%**	**$9.3m**	**(31.0)%**	**$(4.1)m**	**$18.6m**
Non-recurring adjustments	$(0.3)m		$(0.9)m		$(8.9)m	$(10.1)m
Reported EBITDA	**$13.1m**	**111.3%**	**$8.4m**	**(6.7)%**	**$(13.0)m**	**$8.5m**

1. Operating expenses excludes non-recurring expenses such as integration costs, transaction costs, movements in contingent consideration etc.
2. Underlying EBITDA excludes non-recurring expenses and takes into account pro forma contribution of WME Group prior to May 2017

Four major drivers: scorecard

1

ES

Growth in multi-practice customers

- 69% revenue from multi-practice customers
- Multi-practice customers represent 17% of total customer base

2

ES

Increased share of enterprise digital solutions market[1]

- ES digital solutions revenue grew 42%
- Growing at ~3x the rate of the market

3

SMB

Growth in solutions ARPU[2]

- MLB up 16% to $2,308
- WME down 8% to $11,130
- Blended up 8% to $6,053

4

SMB

Increased share of SMB digital solutions market[1]

- SMB digital solutions revenue grew 133%
- Growing at a significantly higher rate compared to the market

1. Six months 30 June 2018 (ES digital solutions revenue is total ES revenue less software revenue)
2. 3 month average monthly ARPU

ES: results and performance

ES: operational highlights

- **Strong organic growth** - 39% YoY growth in revenue, 115 new staff (including 82 billable heads)
- **Key customer wins** including Anglo American, Aurecon, Bunnings, Eclipx, Linfox, Pfizer
- **Long term customer relationships** 88% of Enterprise customer base in long term customer partnerships including 50% of the ASX Top 20
- **Innovation** - AWS Australia New Zealand Innovation Partner of the year 2018, AWS Asia Pacific Innovation Partner of the year 2018
- Receiver of a number of **Design Awards**
  - Melbourne Design Awards: Digital – Health, Digital TravelTech, Service – Government
  - Sydney Design Awards: Digital TravelTech
  - CRN Impact Awards: Workforce Empowerment
- **Deep Technical Expertise** with 571 technical certifications
  - AWS Premier Consulting Partner
  - Microsoft Azure Managed Service Provider, Australian launch Partner 2018
  - Dynatrace Cloud Service
- **Quality Solutions** - ISO 9001:2015 and ISO27001:2013. IRAP and PCI Solutions

ARQ group

ES: segment results

ES has enjoyed strong revenue growth and a significant improvement in operating leverage and underlying EBITDA margin

Half year ended 30 June 2018	H1 FY18	H1 FY17 (restated)[1]	Δ%	Notes
Revenue (exc. interest)	$61.0m	$43.8m	39.3%	Strong growth in Mobile and Analytics practices
COGS	$(30.2)m	$(23.8)m	26.9%	
Gross margin (exc. interest)	$30.8m	$20.0m	54.0%	Improved margins in the Mobile and Analytics practices driven by improved employee utilisation
Operating expenses	$(17.4)m	$(13.7)m	27.0%	Investment to support top line growth
Underlying EBITDA	**$13.4m**	**$6.3m**	**112.7%**	
Underlying EBITDA margin	**22.0%**	**14.4%**	**7.6%**	
Non-recurring adjustments	$(0.3)m	$(0.1)m		Other non-operating expenses included in the ES results
Reported EBITDA	$13.1m	$6.2m	111.3%	

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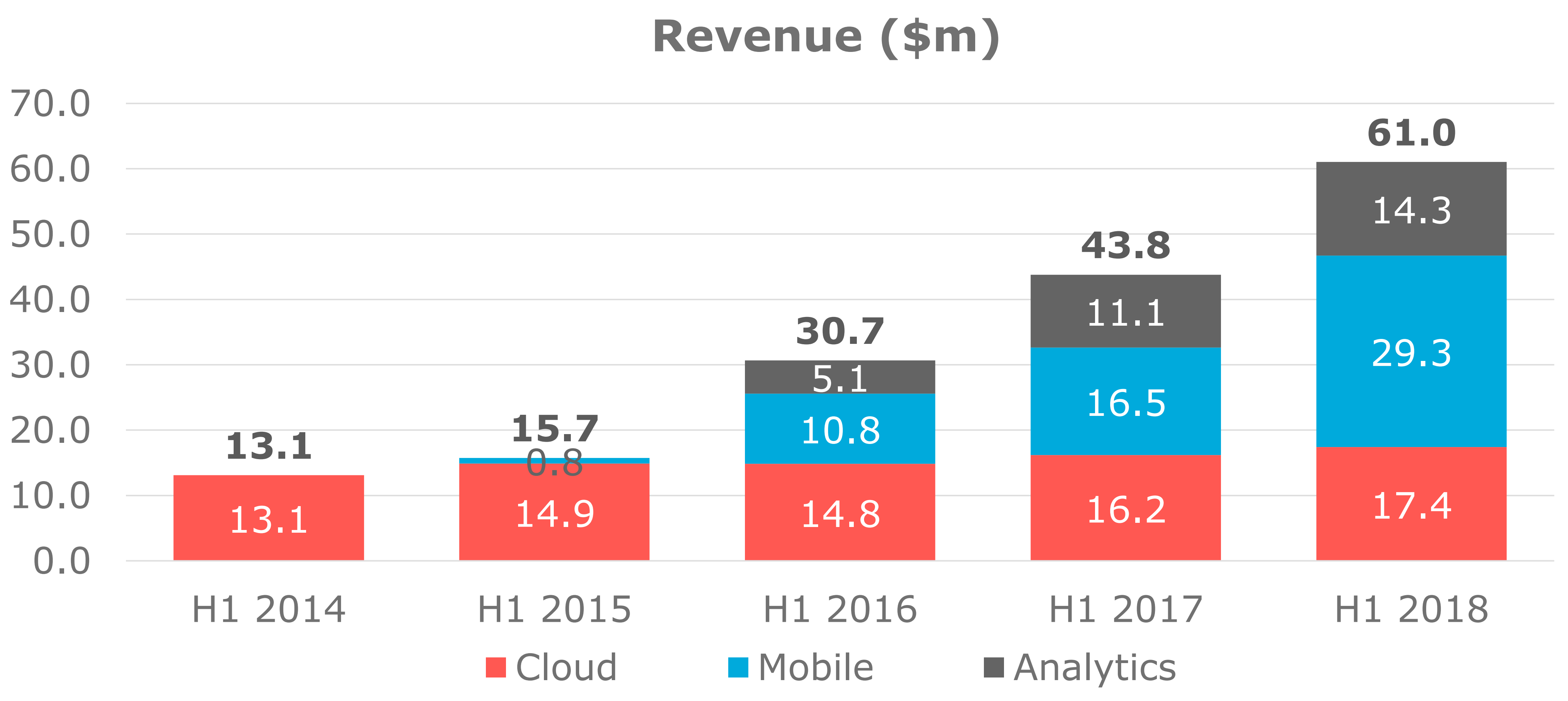
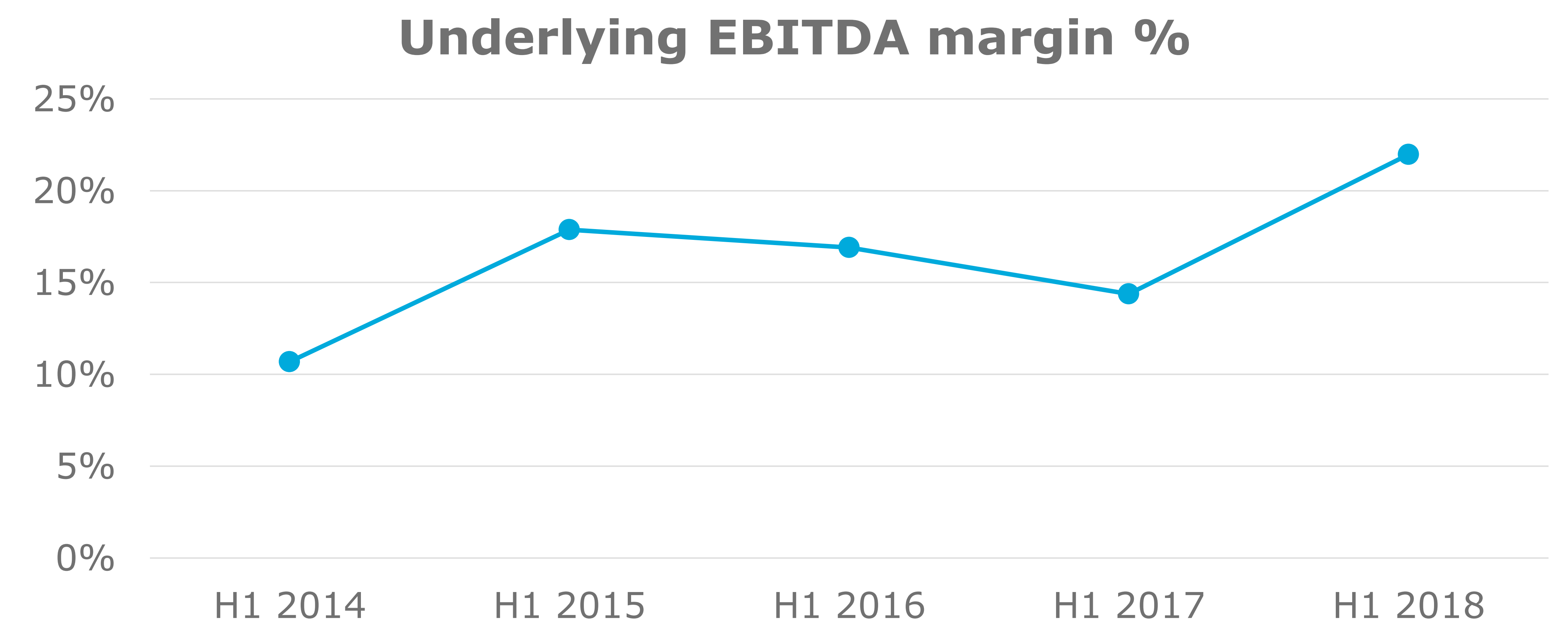
ES: revenue and margin

Mobile and analytics will continue to be key growth drivers in the ES business



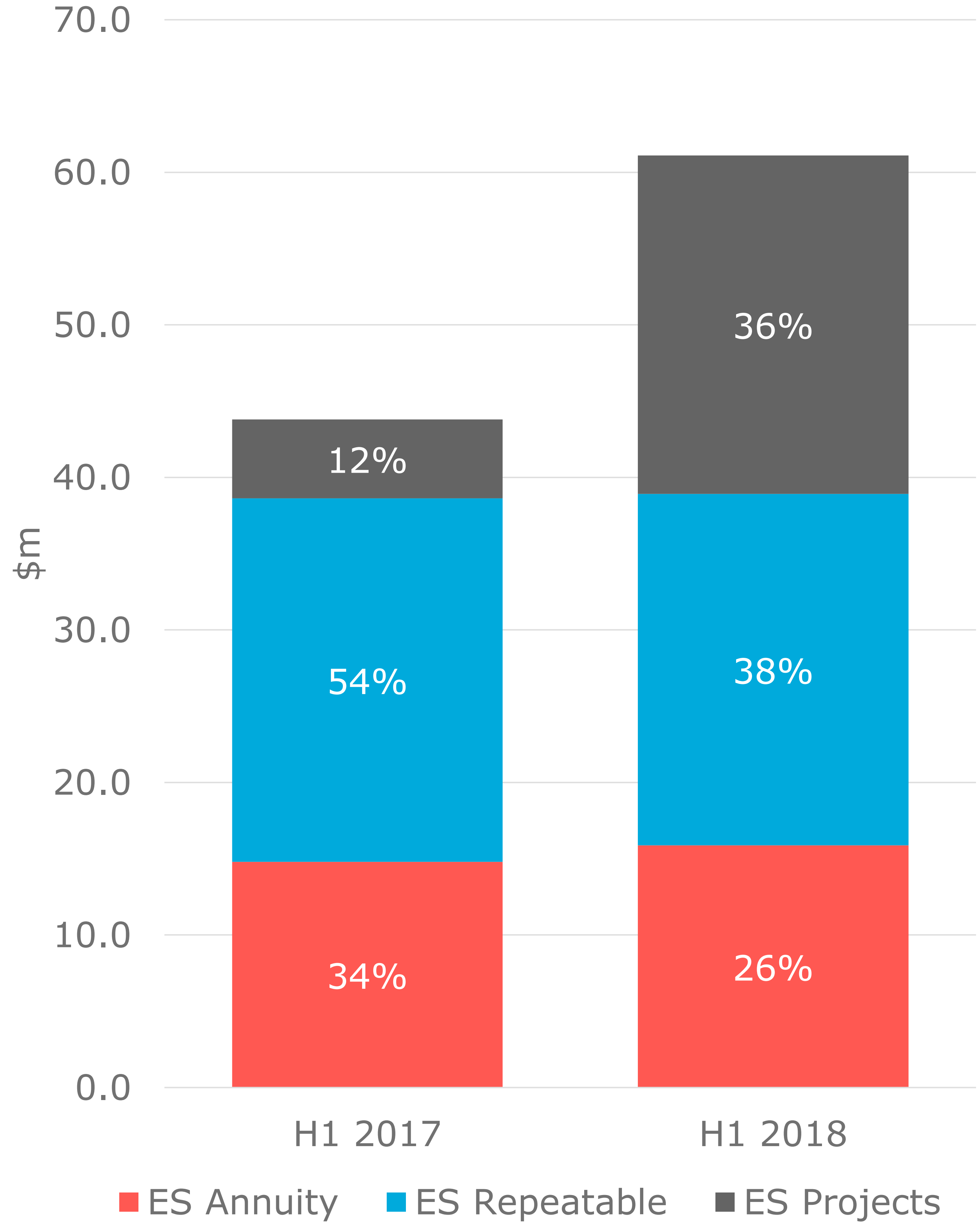


Outlook	
Revenue	Anticipate continuation of good organic growth – 10% to 20% in FY19, averaging 15% to 20% p.a. thereafter
EBITDA Margin	Improvement on the PCP driven by exceptional contract in H1 FY18. We anticipate that the investments in growth[1] in 2017 and 2018 will temporarily depress the full year margin performance before returning to 20% by 2020 driven by the continuation of strong revenue growth off a relatively stable fixed cost base

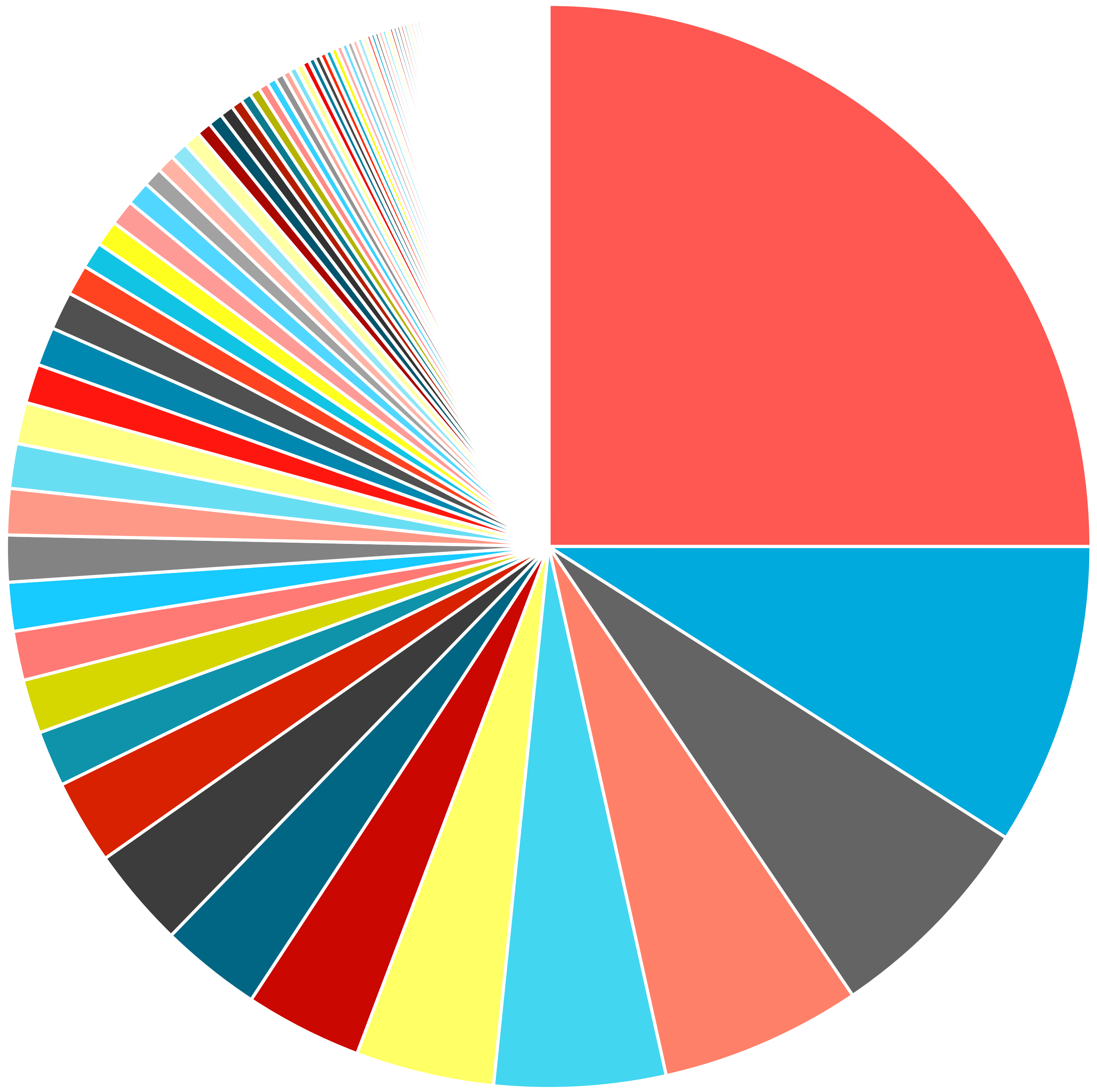
1. Refer to page 22 of the FY17 results presentation for details of the growth investments
2. Financial prior to H1 FY17 have not been restated for impact from AASB 15: Revenue from Contracts with Customers

ES execution: revenue quality

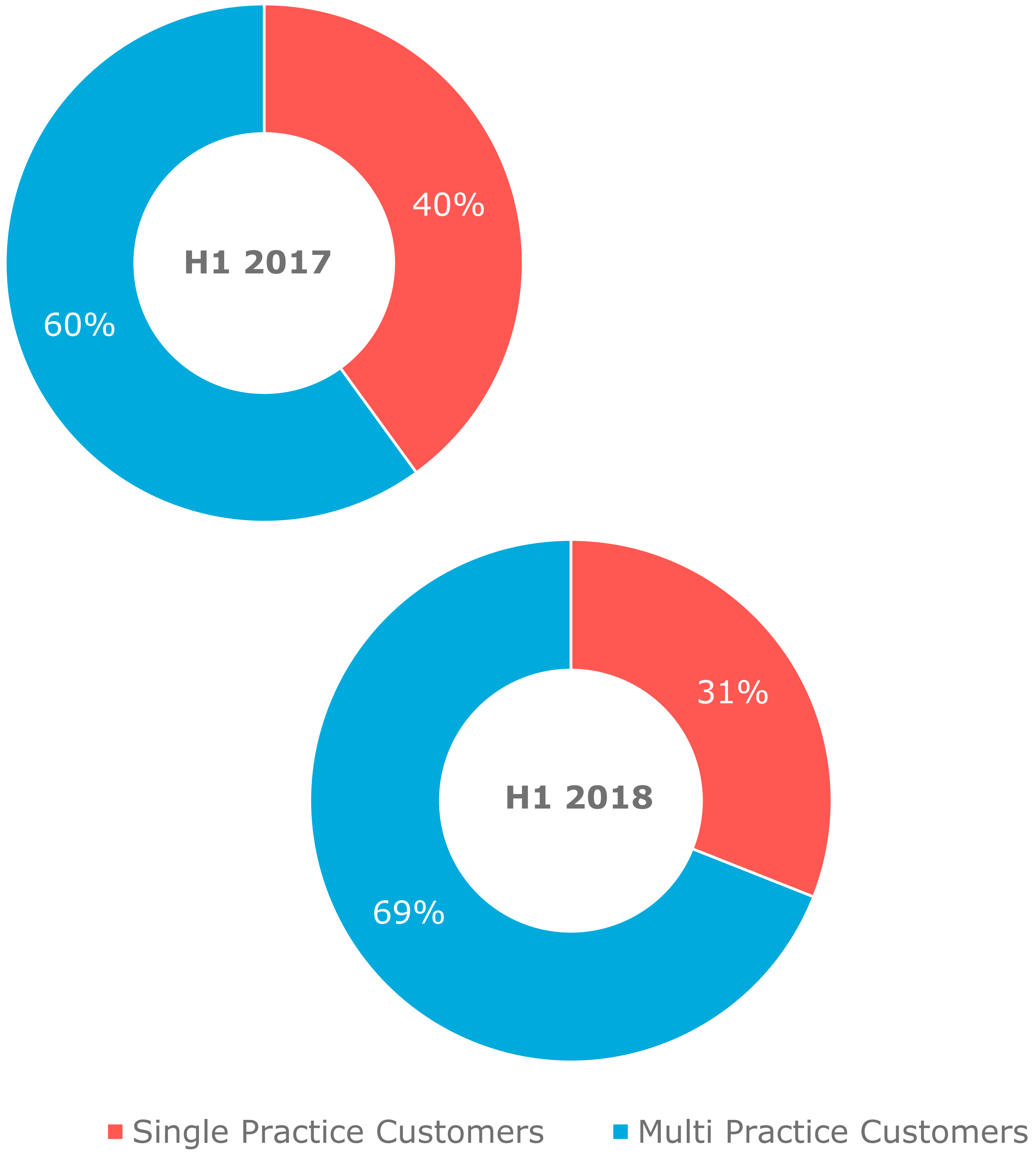
Revenue mix



Customer concentration



Multi-practice revenue



Definitions: 1. annuity revenue is contracted recurring income, 2. repeatable revenues are instances where we have been consistently billing the same customer for 2 or more years, 3. project revenue is where we have been billing the customer for less than two years, 4. a multi-practice customer is an ES customer who takes services from 2 or more of the practices (i.e. mobile, data and analytics, and cloud)

ARQ group

ES execution: 69% multi-practice revenues

7-Eleven, AMP, Anglo American, ANZ, Australia Post, Australian Red Cross Blood Service, AustralianSuper, Bunnings Warehouse

CabFare, Campbell's Arnott's, coles Credit Cards, Coopers, Crown, Domino's, foxtel, iag, Landmark Cummins Ag Services

Linfox, mastercard, nab, nbn, NSW RFS, Optus, Officeworks Big ideas. Lowest prices., Peoplecare, pwc, Qantas

QBE, RACV, RioTinto, safe food queensland, sportsbet .com.au, Suncorp, Sydney Water, Pfizer, Target

Telstra, tennis Australia's Favourite, Transurban, Village Roadshow Pictures, Tabcorp, Woolworths the fresh food people, Spark

SMB: results and performance

SMB: operational highlights

- **Relaunch of Netregistry brand**, evolving the legacy brand proposition from domains and hosting into a complete online solutions partner for small business
- **Website traffic volumes increased 9.5% YoY** as a result of increased efficiencies in paid media and a focus on organic traffic from content creation and SEO
- **Customer NPS has increased 79% YoY** following the completion of the migration programme and focus on capability levels in Manila-based service teams
- Progressively in-sourcing **Solutions fulfilment** driving gross margin improvement in H1, with gains expected in 2H 2018
- Introduced **new leaders** to drive increased focus on Account Management and Product innovation

SMB: segment results

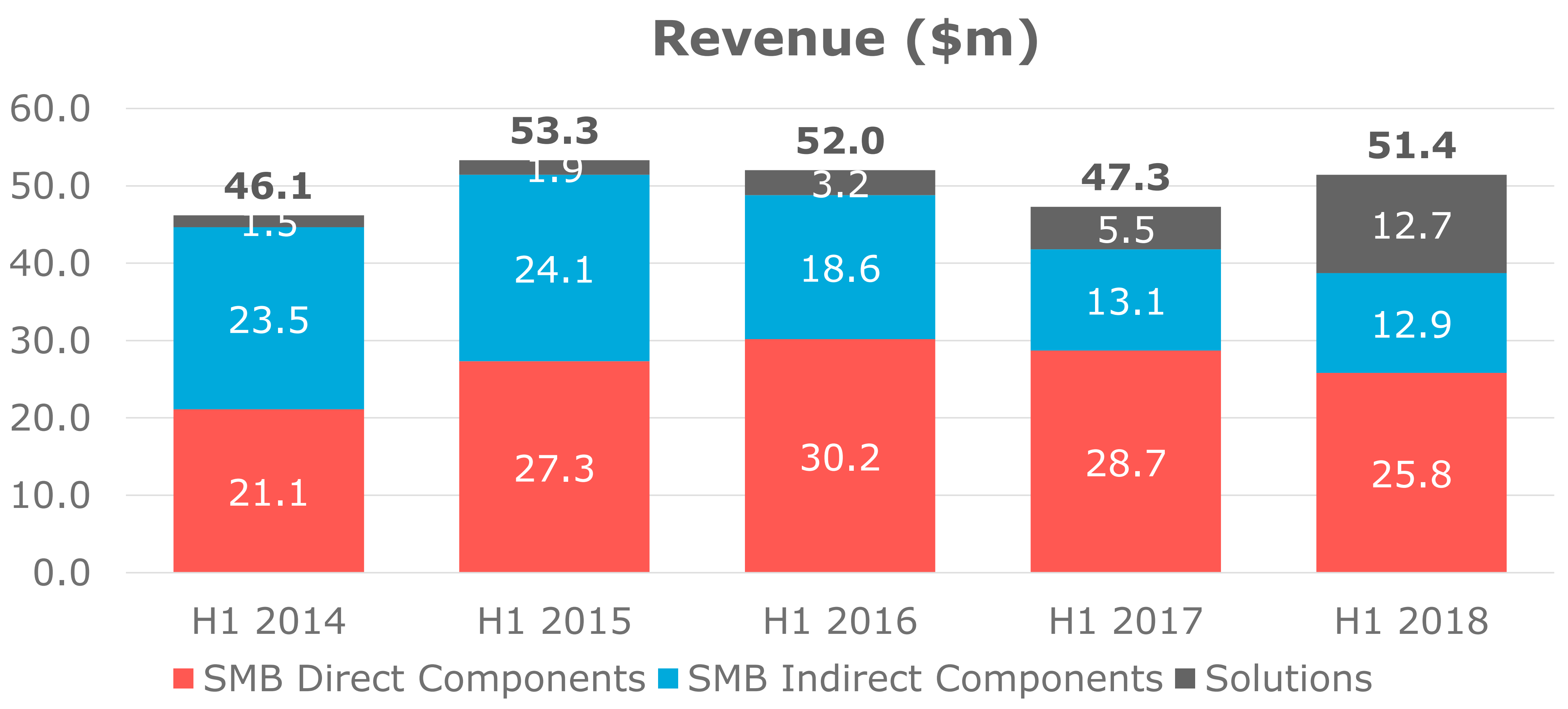
Half year ended 30 June 2018	H1 FY18	H1 FY17 (restated)[1]	Δ%	Notes
Revenue (exc. interest)	$51.4m	$47.3m	8.7%[4]	Increase due to full six month contribution of WME ($8.1m), partially offset by decline in legacy Components ($3.2m) and Solutions ($0.8m)
COGS	$(18.7)m	$(18.3)m	2.2%	
Gross margin (exc. interest)	$32.7m	$29.0m	12.8%	Improved margin % due to acquisition of higher margin WME business and progressive insourcing of solutions fulfilment.
Operating expenses	$(23.4)m	$(18.5)m	26.5%	Increase primarily due to full six month contribution of WME
Pro forma contribution[2]	$0.0m	$3.1m	n/a	Prior period contribution prior to acquisition of WME (May 2017)
Underlying EBITDA	**$9.3m**	**$13.5m**	**(31.0)%**	
Underlying EBITDA margin[3]	**18.1%**	**23.7%**	**(5.6)%**	This has been impacted by the decline in organic revenue
Non-recurring adjustments and pro forma contribution	$(0.9)m	$(4.5)m	80.0%	One-off costs of integrating acquired businesses. Prior period also includes contribution prior to acquisition of WME (May 2017)
Reported EBITDA	$8.4m	$9.0m	(6.7)%	

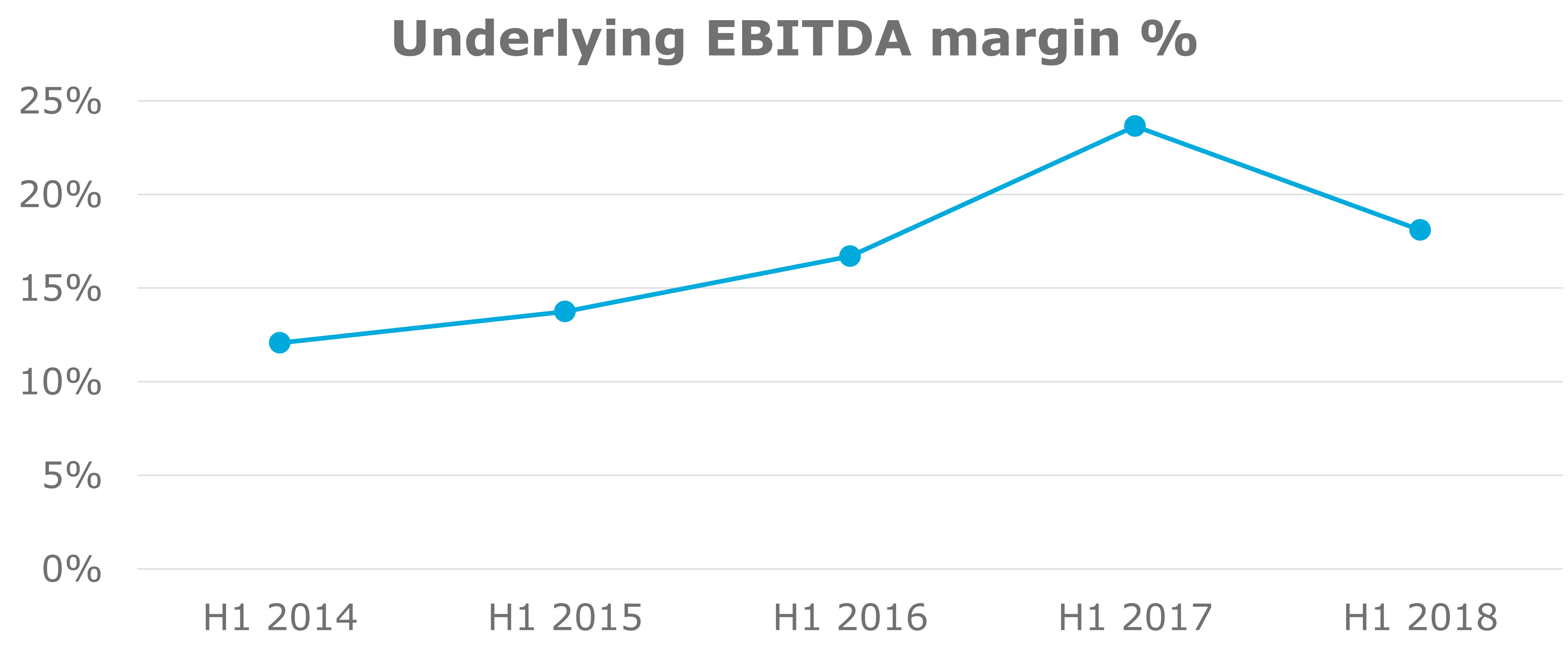
1. FY17 financials have been restated for the adoption of new standards effective as of 1 January 2018, specifically AASB 15: Revenue from Contracts with Customers. AASB 9: Financial Instruments did not have a material impact on FY17 results
2. The pro forma impacts of acquisitions/divestments made in the financial year as if that acquisition/divestment had applied for the entire financial year
3. Underlying EBITDA % margin is calculated off pro-forma revenue
4. Organic growth down 9.9% after taking into account pro forma contribution of WME Group prior to May 2017

ARQ group

SMB: revenue and margin

Growing solutions revenue becoming a significant driver of growth



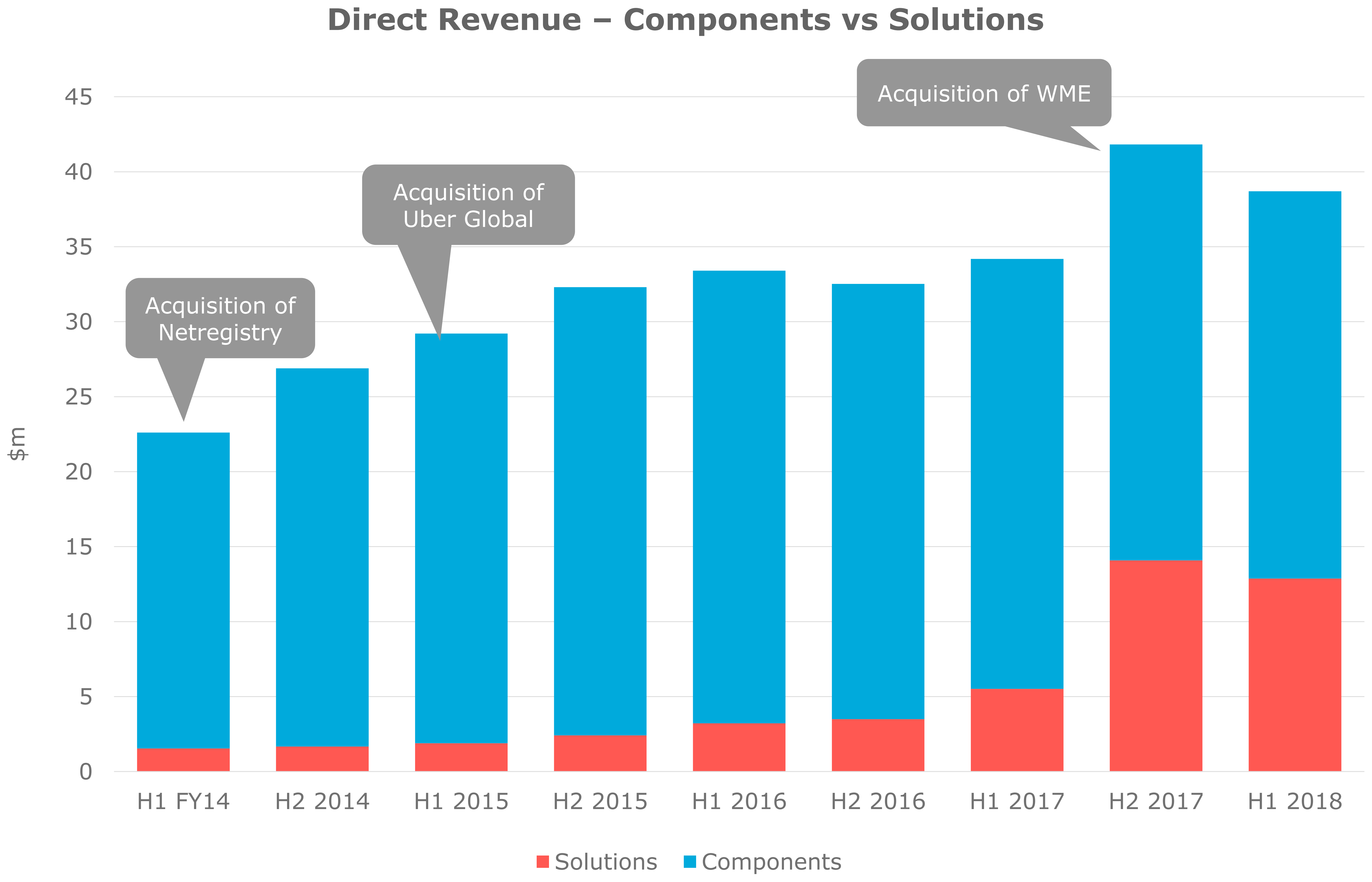


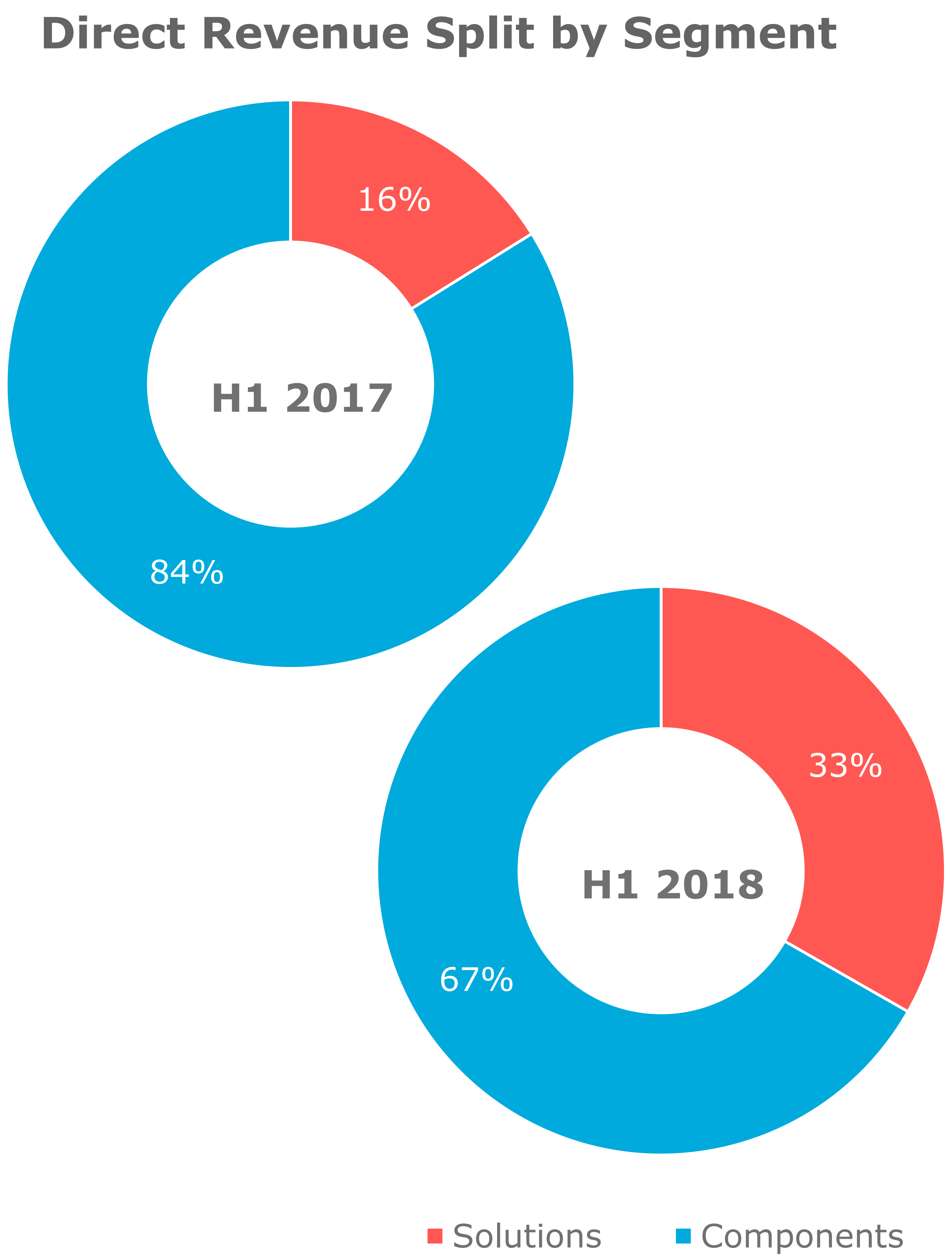
Outlook	
Revenue	Challenges in 2018 well understood with clear plan to rectify, recovery will drive anticipated revenue growth in the range of 0% to 5% in FY19, steadily increasing thereafter
EBITDA Margin	We expect underlying EBITDA margin to trend towards 20% by FY20

1. Financial prior to H1 FY17 have not been restated for impact from AASB 15: Revenue from Contracts with Customers

SMB execution: revenue growth

Higher contribution from Solutions revenue as a result of WME Group acquisition

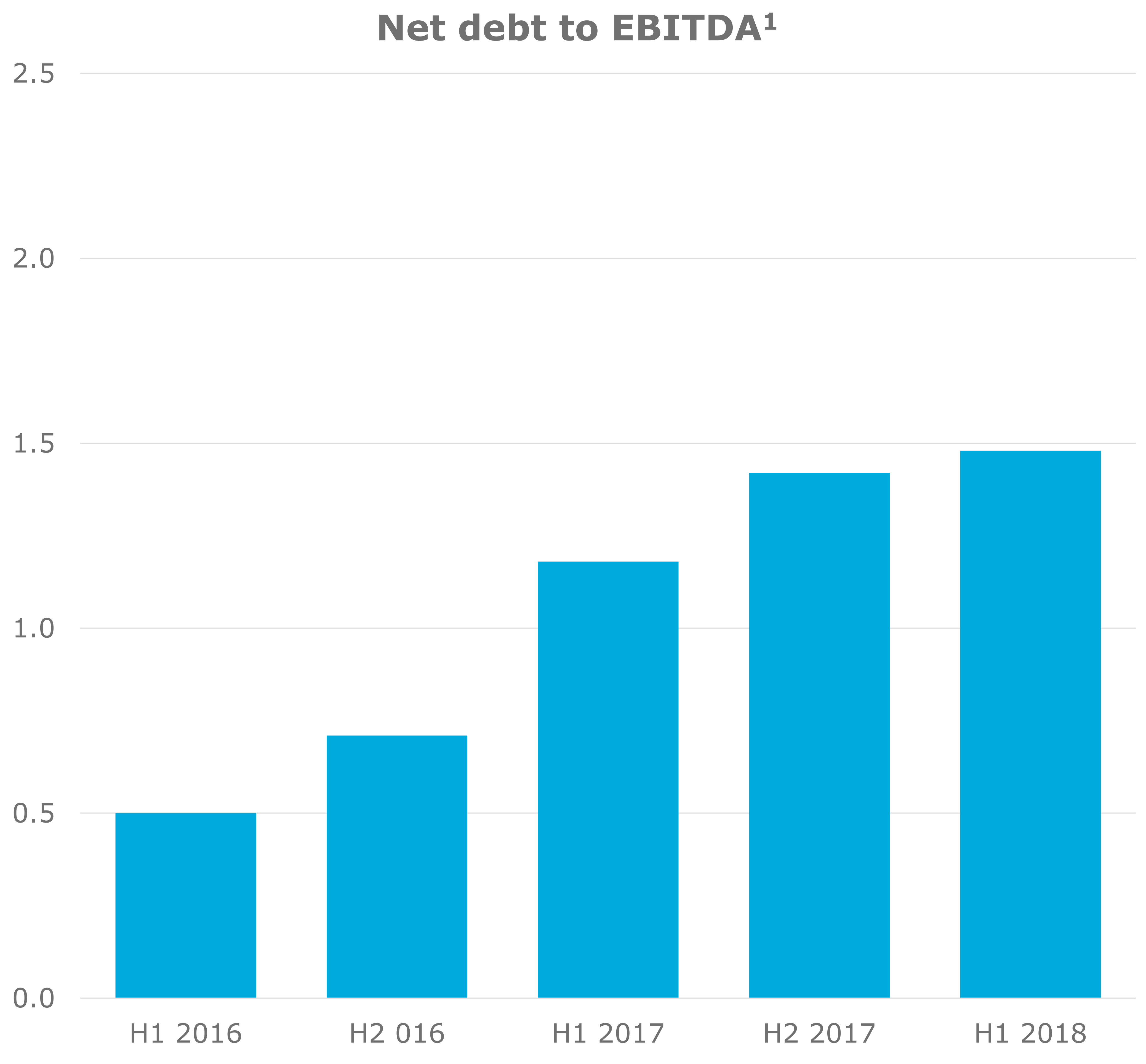




1. SMB financial prior to H1 FY17 have not been restated for impact from AASB 15: Revenue from Contracts with Customers

H1 FY18 Results:
Cash and Capital

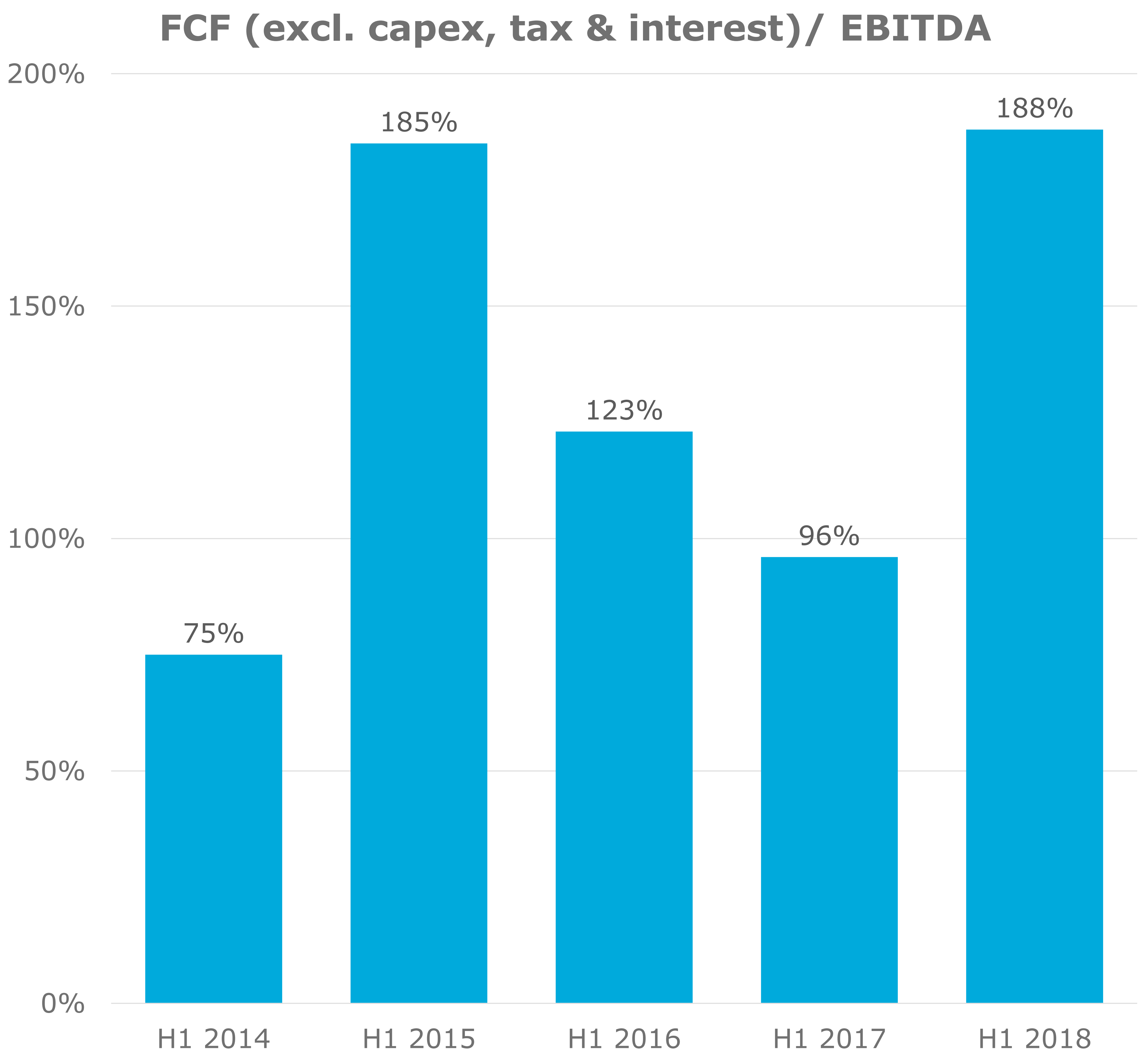
H1 FY18: net debt



- New three year $142m unsecured finance facility secured on 28 June 2018
  - $112m committed funding and $30m uncommitted, acquisition tranche
- Net debt as at 30 June 2018 of $59.5m (1.5x net debt/EBITDA)
  - operating well within covenants and with headroom in existing facility
- Moderate leverage expected to continue

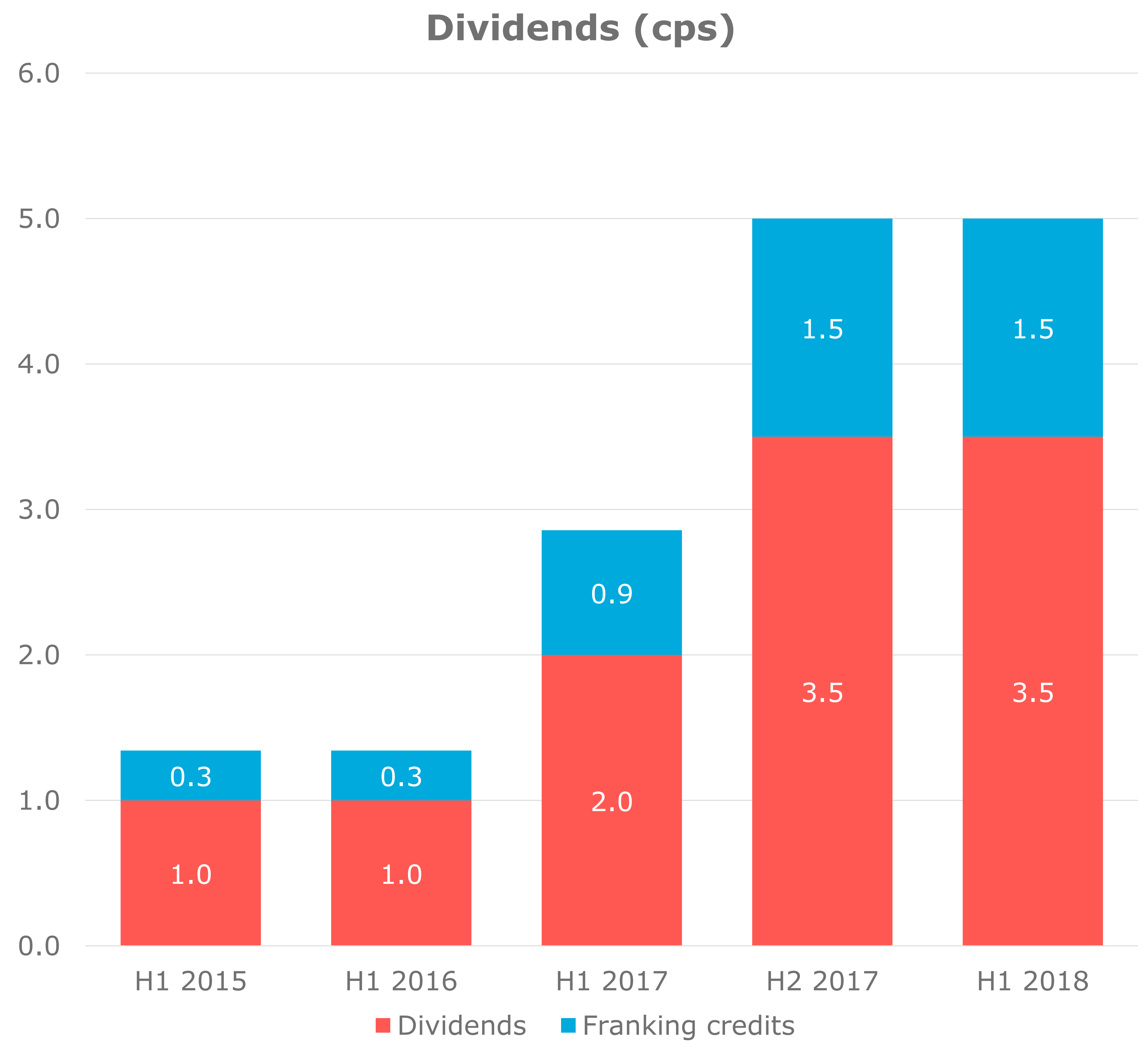
1. Based on a trailing 12 month underlying EBITDA

H1 FY18: cash conversion



- Operating cash flow from operations is impacted by the changing working capital profile of the business
- Cash conversion in H1 FY18 was mainly the result of an improved working capital position due to reduction in debtor days, review of supplier payment terms and favourable timing of payments
- We expect cash conversion to reduce in H2 FY18 to typical levels

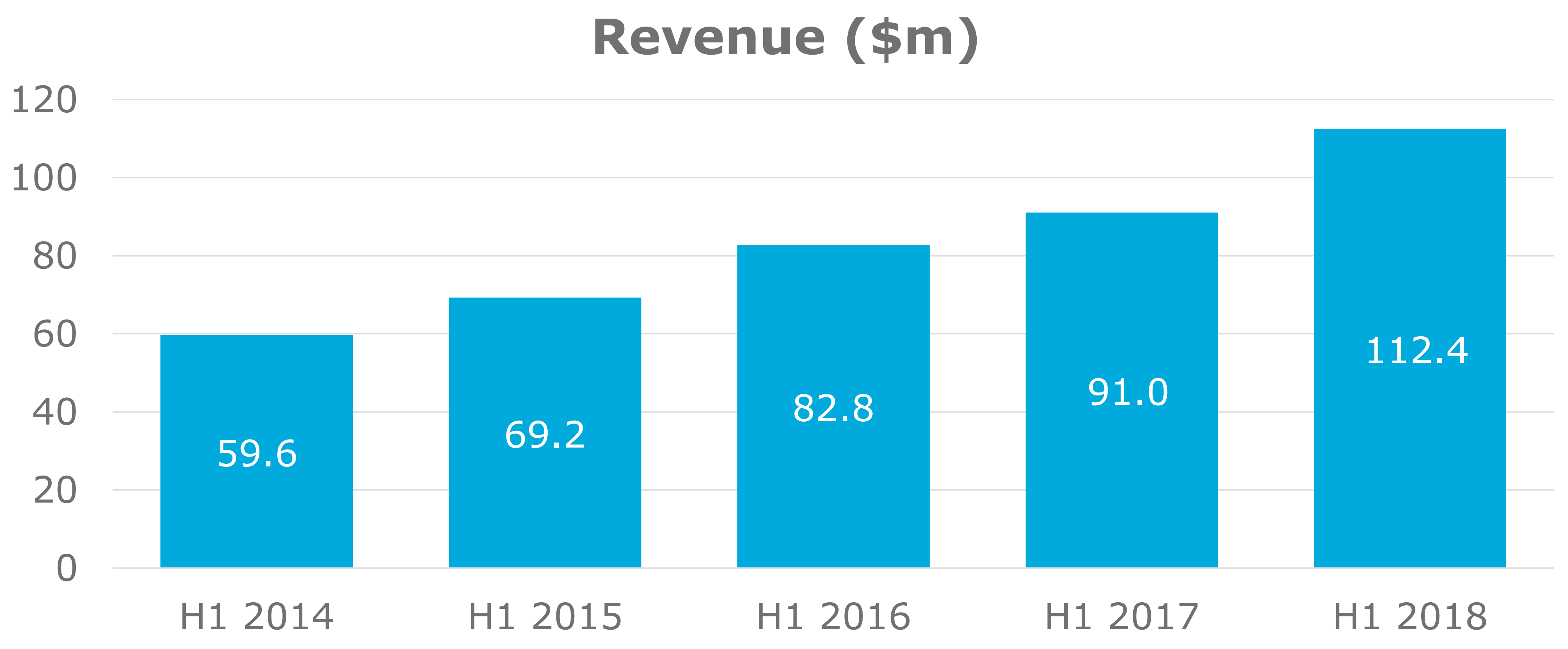
H1 FY18: dividends

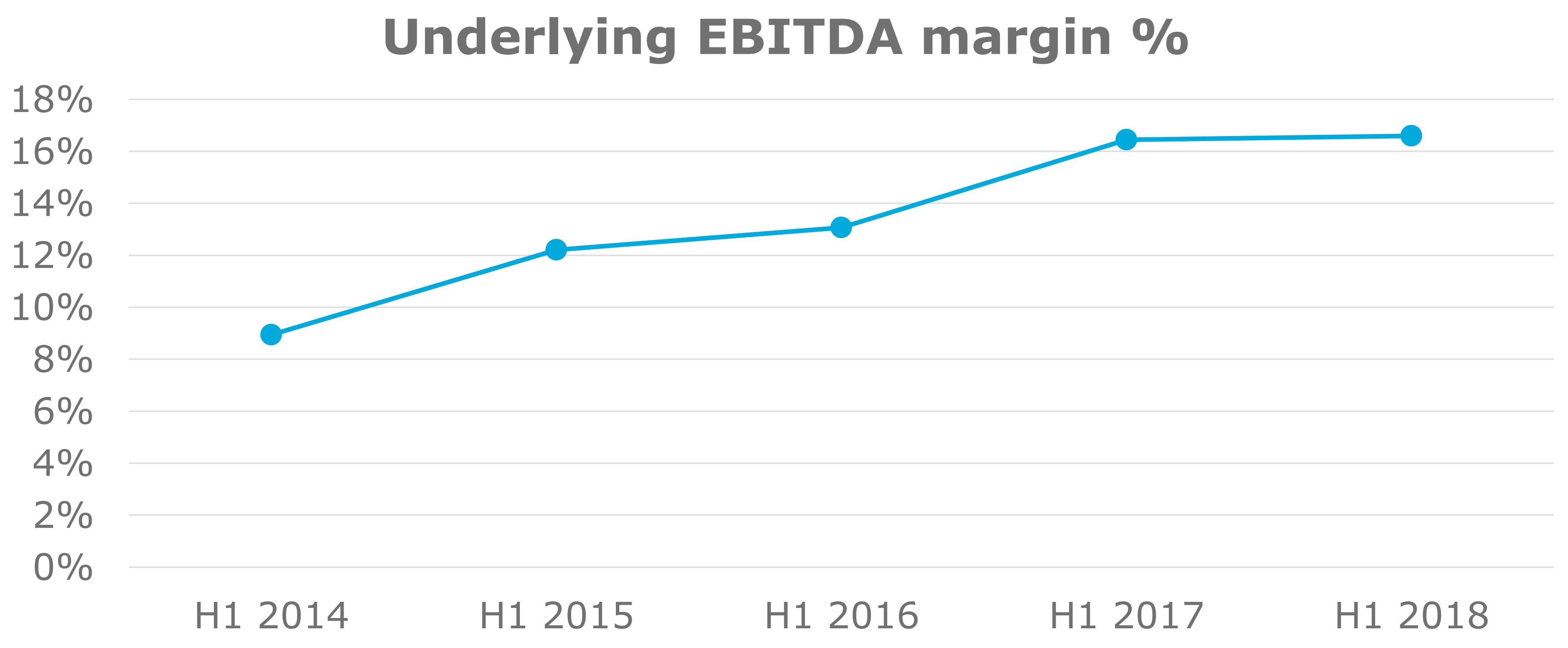


- Interim dividend of 3.5c fully franked
- DRP continues to operate to reward shareholders who wish to participate (including discount to encourage participation over time)
- Arq Group dividend policy is to return between 55% to 75% of full year underlying NPAT to shareholders by way of dividends

H1 FY18 Results:
FY18 Outlook

Arq Group: revenue and margin





Outlook	
Revenue	Continued growth in ES revenue together with gradually accelerating growth in SMB will result in gradually accelerating growth in Group revenue
EBITDA Margin	FY18 margins expected to be slightly lower compared to the prior period, and stabilise towards 20% by FY20, driven by the return to growth in SMB Solutions

1. Financial prior to H1 FY17 have not been restated for impact from AASB 15: Revenue from Contracts with Customers

ARQ group

Outlook: FY18 & FY19

ARQ is well placed to rebound in FY19 and continue to deliver earnings growth for shareholders

Measure	Revised (Aug 2018)	FY19 Growth %[1]		
		SMB	ES	Group
Pre AASB 15				
Underlying EBITDA ($m)	37.9 – 39.9			
Underlying EPS (cents per share)	14.7 - 15.9			
Post AASB 15[2]				
Underlying EBITDA ($m)	37.0 – 39.0	0-5%	10-20%	7-15%
Underlying EPS (cents per share)	14.2 - 15.4			

1. Compared to the midpoint of the revised 2018 guidance range
2. The adoption of AASB 15: Revenue from Contracts with Customers is not expected to have a material impact on revenue or profitability for the Group in FY18. Refer to Appendix B of this presentation for further detail on expected impact

H1 FY18 Results:
Appendix A - Financial Information

ARQ group

H1 FY18 Result: reported to underlying EBITDA

Half year ended 30 June 2018	H1 FY18	H1 FY17 (restated)[1]	Notes
Reported EBITDA	**$8.5m**	**$15.1m**	
Loss / (gain) on reassessment of contingent consideration liability	$5.5m	$(0.2)m	Relates to Infoready acquisition
Integration costs	$1.6m	$2.1m	One off costs to integrate acquisitions
Property costs	$0.4m	$0.0m	Relates to one off costs from property move
Brand costs	$2.2m	$0.0m	One off costs related to re-branding
Transaction costs	$0.4m	$0.6m	One off transaction costs for acquisitions
Gain on accelerated settlement of Outware option liability	$0.0m	$(5.8)m	Relates to Outware acquisition
Remuneration expense on accelerated settlement of Outware option liability	$0.0m	$1.6m	Relates to Outware acquisition
Contribution from acquisitions (assuming acquisitions 100% owned since 1 January)	$0.0m	$3.1m	Contribution for WME (May 2017)
Other non-operating expenses	$0.0m	$0.1m	
Underlying EBITDA	**$18.6m**	**$16.6m**	

1. FY17 financials have been restated for the adoption of new standards effective as of 1 January 2018, specifically AASB 15: Revenue from Contracts with Customers. AASB 9: Financial Instruments did not have a material impact on FY17 results

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H1 FY18 Result: reported to underlying NPAT

Half year ended 30 June 2018	H1 FY18	H1 FY17 (restated)[1]	Notes
Reported NPAT	**$(2.7)m**	**$7.7m**	
Loss / (Gain) on reassessment of contingent consideration liability	$5.5m	$(0.2)m	Relates to Infoready acquisition
Amortisation of WebCentral brand intangible asset (tax effected)	$2.5m	$0.0m	Accelerated amortisation of the WebCentral brand intangible as a result of re-branding.
Arq brand costs (tax effected)	$1.6m	$0.0m	One off costs related to re-branding
Integration costs (tax effected)	$1.1m	$1.4m	One off costs to integrate acquisitions
Transaction costs (tax effected)	$0.4m	$0.5m	One off transaction costs for acquisitions
Property costs (tax effected)	$0.6m	$0.0m	Relates to one off costs from property move
Unwinding of discount on other financial liabilities	$0.1m	$0.1m	Relates to Outware & InfoReady acquisitions
Gain on accelerated settlement of Outware option liability	$0.0m	$(5.8)m	Relates to Outware acquisition
Contribution from acquisitions (assuming acquisitions 100% owned since 1 January) (tax effected)	$0.0m	$2.1m	Contribution for WME (May 2017)
Remuneration expense on accelerated settlement of Outware option liability	$0.0m	$1.6m	Relates to Outware acquisition
Profit after tax attributable to non-controlling interests of Outware	$0.0m	$0.2m	Contribution for Outware (increase to 100% in Feb 2017)
Other non-operating expenses (tax effected)	$0.0m	$0.1m	
Underlying NPAT	**$9.1m**	**$7.7m**	

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H1 FY18 Result: cash movement

Half year ended 30 June 2018	H1 FY18	H1 FY17
FINANCING		
Proceeds from capital raising	$0.0m	$30.7m
Transaction costs on capital raising	$0.0m	$(1.8)m
Dividend paid	$(7.0)m	$(4.9)m
Proceeds from / (repayment of) borrowings	$(0.1)m	$27.7m
Total Financing	**$(7.1)m**	**$51.7m**
INVESTING		
Acquisition of InfoReady	$(5.7)m	$(0.6)m
Acquisition of WME	$0.0m	$(23.9)m
Repayment of WME loans	$0.0m	$4.0m
Acquisition of Outware	$0.0m	$(27.7)m
Transaction costs	$(0.1)m	$(0.6)m
Total investing (excl. Capex)	**$(5.8)m**	**$(48.8)m**

H1 FY18 Result: balance sheet

Half year ended 30 June 2018	H1 FY18	H2 2017 (restated)[1]	Δ%	Notes
Cash	$15.5m	$20.3m	(23.6)%	Decrease due to capex investment, payment for second earn-out period of contingent consideration on InfoReady acquisition and dividends paid, partially offset by positive operating cash flows
Other current assets	$45.6m	$49.5m	(7.9)%	Decrease due to prior year funds held in escrow being paid in the H1 FY18 period
Non-current assets	$283.2m	$280.0m	1.1%	Primarily attributable to increase in fixed assets due to investment in office fit-out for new Sydney and Melbourne offices
Total assets	**$344.3m**	**$349.8m**	**(1.6)%**	
Current liabilities	$80.5m	$79.7m	(1.0%)	Increase in payables following review of supplier terms, favourable timing of payments and the third earn-out period of contingent consideration on InfoReady acquisition moving from non-current, partially offset by the current portion of bank borrowings moving to non-current following the new finance facility being secured
Non-current liabilities	$98.1m	$95.3m	(2.9)%	Increase primarily due to current portion of bank borrowings moving from current following the new finance facility being secured, partially offset by third earn-out period of contingent consideration on InfoReady acquisition moving to current
Total liabilities	**$178.6m**	**$175.0m**	(2.1)%	
Equity	$165.7m	$174.8m	(5.2)%	Decrease due to loss for the period and dividends paid

1. FY17 financials have been restated for the adoption of new standards effective as of 1 January 2018, specifically AASB 15: Revenue from Contracts with Customers. AASB 9: Financial Instruments did not have a material impact on FY17 results

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Extra info: D&A, financing and tax

Half year ended 30 June 2018	H1 FY18	H1 FY17 (restated)[1]	Δ%	Notes
Reported EBITDA	**$8.5m**	**$15.1m**	**(43.7)%**	
Amortisation of customer contracts	$(1.3)m	$(0.7)m	(85.7)%	Full period impact of customer contracts recognised on acquisition of WME
Amortisation of capitalised software	$(1.4)m	$(1.2)m	(16.7)%	Impacted by higher prior period investment in systems
Amortisation of marketing related intangibles	$(3.6)m	-	(100.0)%	Accelerated amortisation of Webcentral brand name intangible
Depreciation	$(2.2)m	$(1.7)m	(29.4)%	Investment in office fit-out for new Sydney and Melbourne offices
Net interest expense	$(1.3)m	$(1.1)m	(18.2)%	Higher bank borrowings in current period
Profit before tax	**$(1.3)m**	**$10.4m**	**(112.5)%**	
Income tax expense	$(1.3)m	$(2.5)m	48.0%	Primarily due to lower reported profit before tax
Less: Profit attributable to NCI	$(0.1)m	$(0.2)m	50.0%	Growth in ownership stake of Outware from to 100% in February 2017
Reported NPAT	**($2.7m)**	**$7.7m**	**(135.1)%**	

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H1 FY18 Results:
Appendix B - Transition to AASB 15: Revenue from Contracts with Customers

Implementation of AASB 15

The Australian Accounting Standards Board (AASB) has issued a new revenue standard, AASB 15: Revenue from Contracts with Customers, which became effective from 1 January 2018. This standard supersedes the previous revenue standard AASB 118: Revenue and AASB 111: Construction Contracts.

The Group has identified two types of customer contracts that are impacted by the application of the new standard being; SMB domain names and SMB website builds. There is no impact to ES revenues.

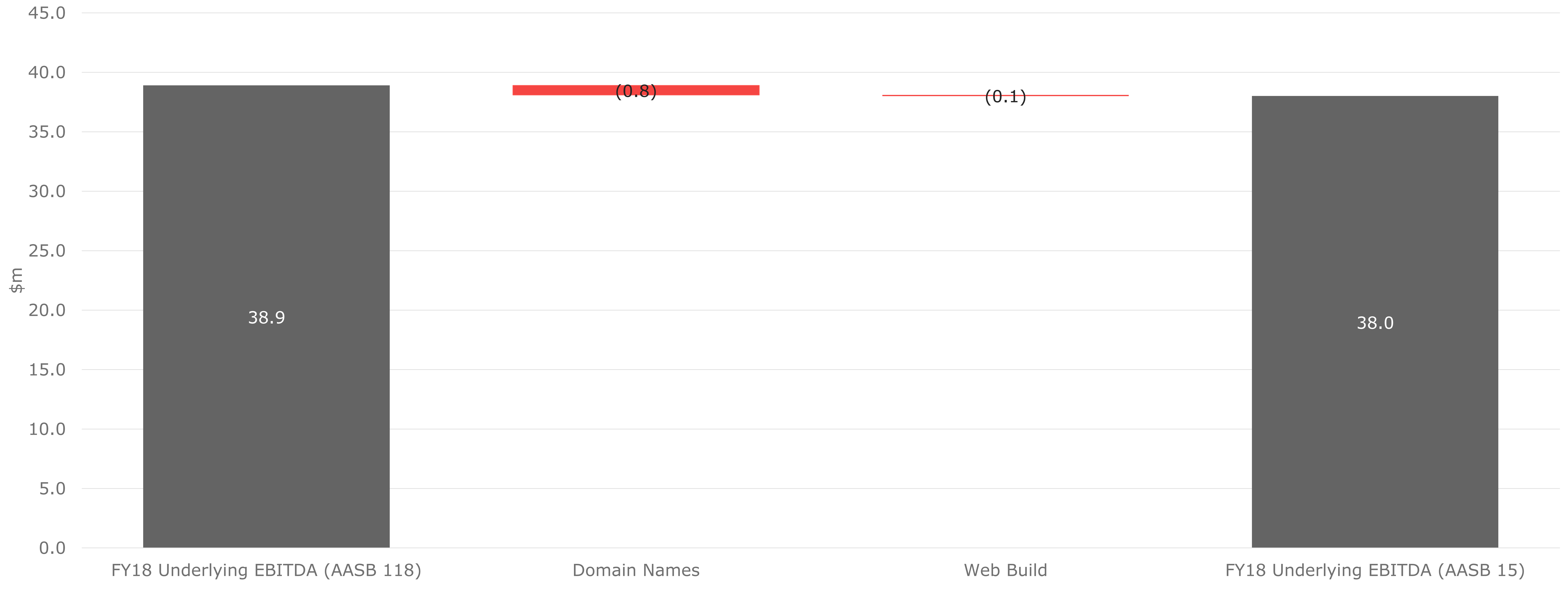
The impact of adoption of AASB 15 on these revenue streams has changed the timing of revenue recognition (and some related costs) over the period of the customer contract. This has the effect of deferring some revenue for certain customer contracts in future periods, depending on changes in sales volume and sales mix.

The estimated impact is as follows:

FY18 Financial Year (mid-point)			
Measure	AASB 118	AASB 15	Change
Underlying EBITDA ($m)	38.9	38.0	(2%)
Underlying EPS (cents)	15.3	14.8	(3%)
Cash Flow			No Impact

FY17 Financial Year			
Measure	AASB 118	AASB 15	Change
Underlying EBITDA ($m)	38.6	38.6	0%
Underlying EPS (cents)	17.0	17.0	0%
Cash Flow			No Impact

FY18 Forecast Underlying EBITDA (mid-point)



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