11 February 2020

ARQ GROUP LTD (ASX: ARQ)

Sale of the Enterprise Services Division (ES)

Arq Group (**Arq Group** or **the Company**) is pleased to announce today that it has signed a binding agreement to sell the Enterprise Services Division (**Enterprise**) to an entity owned by a consortium comprising Quadrant Private Equity (**Quadrant**) and certain members of the Enterprise management team (being Tristan Sternson, Justin Parcell and Cameron Boog) for A$35m on a cash and debt free basis.

Transaction details:

- Gross cash proceeds of the sale are expected to be A$35m less a final payment of $6m due to the vendors of InfoReady Pty Limited, which was acquired by the Company in 2016
- The transaction is expected to complete on 2 March 2020 and is not subject to any conditions
- The final net proceeds will be subject to adjustments for net debt items, working capital and insurance cover
- The net proceeds of the sale (after transaction costs) will be applied to reduction of the Company's debt
- The sale includes the rights to the Arq brand. At the forthcoming AGM a resolution will be put to shareholders of Arq Group for a change of name.

As a result of this transaction, Brett Fenton, who leads ARQ Group's SMB Division which is the only remaining business, will replace Tristan Sternson as ARQ Group Interim CEO effective immediately.

Strategic Review update:

The sale of Enterprise represents an important milestone in the Strategic Review announced on 24 September 2019. This divestment will allow the Company to focus on stringent cost management and value maximising options for the SMB Division (**SMB**). The Company confirms that discussions are ongoing with multiple interested parties for SMB which represents the customer facing brands of WME, NetRegistry, Melbourne IT, WebCentral and Domainz.

Mr Andrew Reitzer, Chair of Arq Group said*, "After engaging with numerous parties interested in acquiring the Enterprise business over the past few months, we are pleased to announce the sale of the business to Quadrant. Quadrant has a track record of acquiring industry leading businesses and we wish the team every success in the future."*

"Decoupling Enterprise will allow for the team to focus on SMB, enabling it to deliver to its vision of being the most impactful digital marketing partner in Australia, unlocking the growth potential of local small and medium businesses," continued Mr Reitzer*.*

FY19 Results

Arq Group will announce its FY19 results on 27 February 2020, at which time it will provide further details of the transaction and update on progress of the Strategic Review.

ENDS

Please contact Ms Emma Jewell of Red Agency for any media enquries or Mr Fraser Bearsley for any investor queries.

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About Arq Group

Arq Group, previously Melbourne IT Group, is Australia's leading digital solutions partner.

Arq Group is the dynamic space for smart thinkers. Creating unforgettable experiences, solving complex challenges, and providing seamless, end-to-end solutions – from design thinking to customer solutions, leading mobile, cloud and analytical insights, digital marketing to web design - Arq Group powers the growth of businesses, big and small.

Founded in 1996, Arq Group has evolved from the leading Australian domains and hosting business to a leading digital services partner. Today, the company builds and manages innovative channels to market for many of the country's largest enterprises, whilst simultaneously supporting half a million small businesses throughout their online journey.