



MELBOURNE IT

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ASX Announcement

16 March 2016

Melbourne IT Limited (ASX: MLB)

Media Release and Investor Presentation

Please find attached a Media Release and an Investor Presentation in relation to three transactions announced by Melbourne IT (MLB). Specifically, MLB is announcing:

- the acquisition of InfoReady - a leading data and analytics provider for the enterprise and government market;
- the sale of its International Domain Name Business; and
- its intention to raise \$15M of new equity via an underwritten institutional placement.

The acquisition of InfoReady is subject to customary closing conditions and the successful completion of the equity raising also announced today, and is expected to complete by 31 March 2016.

Similarly, the disposal of the international business is subject to customary closing conditions and is expected to complete by 30 April or earlier if conditions are satisfied.

MLB will be in a trading halt for the next 48 hours while it undertakes the institutional placement of new equity.

An investor tele-conference will be held at 10:30 am today at which Mr Martin Mercer, Managing Director, and Mr Peter Findlay, CFO will deliver a presentation.

The live audio webcast of the teleconference can be accessed via this URL link <http://www.openbriefing.com/OB/2130.aspx>, which will be activated 15 minutes prior to the start of the presentation. An archive of the event will also be placed on the [Investor Announcements](#) page of our corporate website after the event.

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**Melbourne IT Limited
(ASX: MLB)**

Media Release

16 March 2016

Overview

Melbourne IT (MLB) has announced a package of transactions that together accelerate the company's transformation to a provider of managed digital solutions. These transactions help build a stronger MLB with higher growth potential and better quality earnings.

Specifically, MLB is announcing that it:

1. has agreed to acquire InfoReady – a leading data and analytics provider for the enterprise and government market – for a consideration of \$15.4M;
2. has agreed to dispose of its International Domain Name Registration Business for a sale consideration in the range \$8.1M to \$8.5M¹; and
3. its intention to raise \$15M of new equity via an underwritten institutional placement.

The package of transactions is expected to be earnings accretive² with a neutral impact on underlying EPS in CY2016 and a 7% uplift in CY2017.

As a result of the transactions MLB is revising up its earnings guidance for 2016. Specifically;

1. statutory EBITDA is up \$3M leading to a revised range of \$26M to \$28M; and
2. underlying EBITDA is up \$1.7M leading to a revised range of \$28M to \$30M.

Following these three transactions, MLB's net debt is expected to peak at \$46M in H2 of 2017, approximately \$9M lower than beforehand.

Martin Mercer, Managing Director of MLB said, *"We are very pleased to welcome the InfoReady team into the Melbourne IT Group and to announce the sale of our non-strategic international reseller business. These deals prove MLB's ability to execute on its digital solutions strategy and demonstrate effective capital allocation across the Group. This package of transactions is earnings accretive and substantially completes our investment in acquiring capability for the ES business, while the sale of the international reseller business removes a significant drag on SMB growth and allows MLB to focus on its digital solutions strategy in Australia. "*

¹ depending on the AUD/US exchange rate at completion

² after the issue of new equity

InfoReady Acquisition: Melbourne IT extends its leadership in the digital transformation market in Australia

The Directors of MLB are pleased to announce that MLB has agreed to acquire 100% of the shares in privately owned InfoReady Pty Ltd.

InfoReady is expert at designing and implementing data platforms, and combining, managing and analysing data to provide meaningful and actionable insights. Digital solutions increase organisational agility and innovation rates, and enable organisations to bring services to market more quickly through the ability to rapidly design, test, deploy, iterate and improve customer experiences.

The InfoReady data analytics capability completes the foundation elements of the Enterprise Services strategy and sits alongside cloud, mobile, security and cloud enabled application development. MLB's expertise now enables it to deliver complete digital solutions for corporate and government organisations.

MLB and InfoReady already work together on a number of joint accounts and see the partnership as a natural step to providing more co-ordinated and extensive solutions for both existing and new customers.

Peter Wright, Executive General Manager, Enterprise Services, said, *"We are delighted the directors and shareholders of InfoReady chose to join with MLB Enterprise Services. The strong data and analytics capabilities of InfoReady presents a compelling strategic fit with our enterprise strategy and complements perfectly our cloud, mobile, security and applications capabilities to deliver a comprehensive and compelling value proposition to the market"*.

The initial purchase consideration for InfoReady is \$15.4M in cash. This represents a multiple of 4.4 times InfoReady's forecast CY2016 EBITDA.

In addition to the initial purchase consideration, the directors of InfoReady are entitled to 3 earn-out payments on each of the next three anniversary dates of the transaction. The amount, if any, of the earn-out payment is a function of the financial performance of InfoReady and are tied to earnings growth.

The purchase consideration for InfoReady is funded by the proceeds of the sale of MLB's International Domain Name business, with the balance funded from the proceeds from the placement of new equity.

Founded in 2008, InfoReady has 88 employees with offices in Brisbane, Sydney and Melbourne. Customers include Optus, NAB, Telstra, Origin Energy, IAG and Tennis Australia.

In recent years InfoReady has enjoyed growth in underlying EBITDA of approximately 60%. In the 2016CY InfoReady is expected to generate approximately \$3.4M of underlying EBITDA.

InfoReady will retain its branding as part of the Melbourne IT Group while operating as the Data and Analytics practice within Melbourne IT Enterprise Services business, alongside the existing Web & Digital Application, Security, Cloud Solutions and the Outware Mobile solutions practices.

Director Justin Parcell will lead the Data and Analytics practice while Director and founder Tristan Sternson will take on a senior leadership role in MLB's Enterprise Services division.

The InfoReady deal follows the acquisition of Outware Mobile in 2015 and the partnership with US based 2nd Watch to deliver a range of data centre migration services to the cloud in Australia and New Zealand.

Sale of the International Domain Name Business: Melbourne IT reallocates capital from a non-core business into its growing solutions business

The Directors of MLB are pleased to announce that MLB has entered into an agreement for the sale of MLB's International Domain Name business.

MLB's International Domain Name business was established in 2000 and encompasses approximately 250 global resellers across the USA, Europe, and Asia. In essence, it is an indirect channel selling large volumes of domain names at relatively low margins.

MLB's strategy is to drive growth from new managed solutions offerings in both its SMB and ES divisions. In this context, the International division was increasingly a non-core operation that was a drag on the performance of the SMB division.

The sale of the International Domain Names business and the reinvestment of this capital in MLB's growing digital solutions business is consistent with the Group's strategy and will accelerate MLB's growth.

Capital Raising

MLB is also undertaking an underwritten placement to professional and sophisticated investors to raise \$15M at a floor price of \$1.90 per share to fund the balance of the purchase consideration for InfoReady and to strengthen its balance sheet. Placement shares will rank pari passu with current fully paid ordinary shares on issue.

ENDS

About Melbourne IT

Melbourne IT Group is a publicly listed company with offices in Melbourne, Sydney, Brisbane, Wellington, Auckland and Canberra. Melbourne IT's purpose is to "Fuel our customers' success through the smart use of technology". By 2020 we aim to have fuelled the success of over one million businesses. Our customers will love us, our people will be our most passionate advocates, and our investors will be rewarded.

Melbourne IT has approximately 450 staff and operates two businesses marketed under 6 brands.

The Small and Medium Business Division (SMB) is Australia's largest domains and hosting business with revenues of approximately \$110m and 210 staff. The SMB business operates under the Melbourne IT, WebCentral, Netregistry brands and TPP brands.

The Enterprise Services Business (ES) is Australia's leading cloud enabled software and services business with revenues of approximately \$40m and 200 staff. ES is based in Sydney, Melbourne and Brisbane and has a blue chip customer base. It operates under two brands, Melbourne IT and Outware Systems.

Visit: www.melbourneit.com.au



Melbourne IT Investor Presentation



16 March 2016

Overview

1

MLB is undertaking **3 significant transactions:**

- The purchase of InfoReady – a leading data and analytics provider to the enterprise and government market – for \$15.4M¹
- The sale of its International Domain Names Business for \$8.1M to \$8.5M¹ (depending on AUD/USD exchange rate), and
- An Underwritten Placement of \$15.0M at a floor price of \$1.90 per share to fund the balance of the purchase consideration for InfoReady and to strengthen its balance sheet

2

Combination is **earnings accretive:**

- Underlying EPS is neutral in FY16 and up 7% in FY17

3

Positive impact on **FY16 guidance:**

- Statutory EBITDA up \$3M to between \$26M and \$28M
- Underlying EBITDA up \$1.7M to between \$28M and \$30M

4

Strategic **capital allocation;**

- Recycling capital from a declining non-core business into a strongly growing core business

5

Positive impact on **balance sheet;**

- Peak debt forecast to be \$46M in H2 CY2017 (\$9M less than previously forecast)

**Building a stronger
business with higher
growth potential and
better quality earnings**

FY16 Guidance: statutory EBITDA bridge

**Year Ended
31 December 2016**

NOTES

FY16 EBITDA	\$24m	Midpoint of the guidance range for statutory EBITDA per the February 24 results announcement.
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Adjustments to calculate revised EBITDA

1. Foregone EBITDA	(\$1.6m)	9 months of foregone EBITDA arising from sale of International Domain Names business ¹
2. Acquired EBITDA	\$2.8m	9 months of additional EBITDA arising from the acquisition of InfoReady ²
3. Transaction Costs	(\$0.9m)	Transaction costs associated with the sale of the International Domain Names business and the acquisition of InfoReady
4. InfoReady earnout	(\$0.14m)	Accrual for first earnout payment (for the period 1 April 2016 to 31 March 2017)
5. Profit on sale	\$2.9m	Profit on sale of International Domain Names business
Revised FY16 EBITDA	\$27.1m	Midpoint of the revised guidance range for FY16 statutory EBITDA

1. Expected completion date for sale of International Domain Names business is 30 April 2016 (subject to satisfying conditions precedent)

2. Expected completion date for the purchase of InfoReady is 31 March 2016 (subject to satisfying conditions precedent)

Please note: Figures on this page reflect managements best estimate and have not been audited. They may not be exact due to rounding and include non-IFRS financial information that is relevant for users understanding the underlying performance.

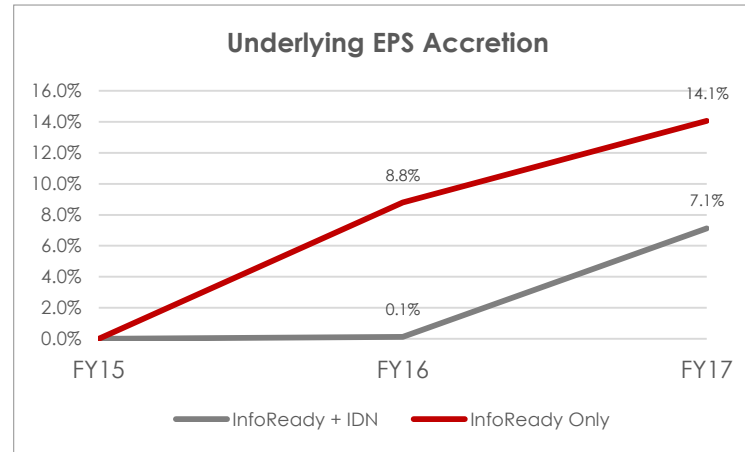
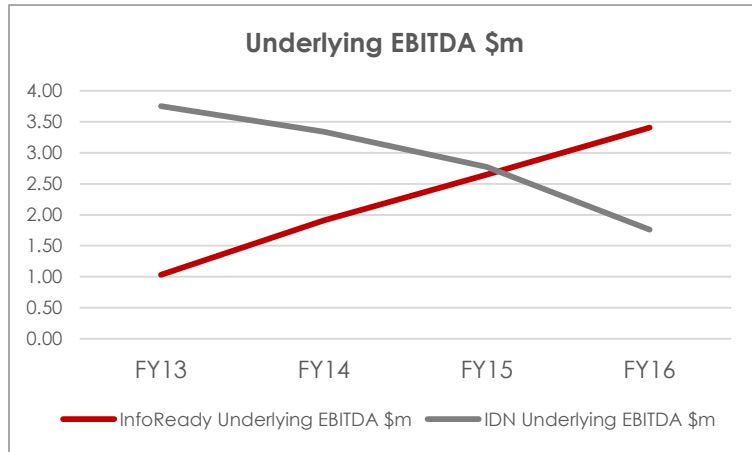
FY16 Guidance: underlying EBITDA bridge

Year Ended 31 December 2016	NOTES
FY16 Underlying EBITDA	\$27.3m Midpoint of the guidance range for FY16 underlying EBITDA per the results announcement on 24 February 2016.
Adjustments to calculate revised underlying EBITDA	
1. Foregone EBITDA	(\$1.8m) Full year of foregone EBITDA contribution from the International Domain Names business*
2. Acquired EBITDA	\$3.4m Full year of EBITDA contribution from InfoReady*
Revised Underlying EBITDA FY16	\$28.9m Midpoint of revised guidance range - after reversing the impact of material one-off items and as if all acquired and sold businesses are owned for the full year

*as if all acquired and sold businesses were owned since 1 Jan 16

Please note: Figures on this page reflect managements best estimate and have not been audited. They may not be exact due to rounding and include non-IFRS financial information that is relevant for users understanding the underlying performance.

EPS Accretion: replacing a declining business with a growing business drives expanding EPS



Limitations & Disclaimer

The accompanying financials Melbourne IT Limited (**MLB**) prepared by its management has been prepared on a going concern basis. The information provided is not to be a substitute for recipients performing their own due diligence investigation and verification of the operation and financial position of MLB and the markets in which it operates.

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MELBOURNE **IT** GROUP

Melbourne IT Acquires InfoReady

16 March 2016

Transaction Highlights: overview

Transaction Summary

- Melbourne IT (MLB) will acquire a 100% shareholding in InfoReady.
- InfoReady is forecast to generate underlying EBITDA of \$3.4M for the year to 31 December 2016:
 - strong growth record - underlying EBITDA ~ 60% CAGR (FY13-FY15)
- Total transaction consideration of \$15.4M¹ on an implied EBITDA multiple of 4.5x CY 2016 EBITDA:
 - plus 3 subsequent earn-out payments dependent on performance
- Acquisition will be funded from a combination of the proceeds from the sale of MLB's International Domain Names Business (\$8.1M - \$8.5M) with the balance funded from the proceeds from the placement of new equity
- InfoReady directors to remain with the business.

Impact on MLB

- MLB will strengthen its position as the Australian market leader in managed digital solutions for enterprise and government customers.
- Compelling logic and strong strategic fit:
 - MLB Enterprise Services (ES) provides managed digital solutions that increase innovation rates and agility for large enterprise and government organisations
 - InfoReady is a leading data and analytics provider for the enterprise and government market
 - combination of ES and InfoReady delivers a complete and comprehensive customer value proposition
 - investment delivers significant benefits through scale and scope in ES
- Expected to add ~ \$3.4M to MLB's underlying² EBITDA in CY2016¹
- Dividend guidance unaffected (ie payout ratio of 55%-75% reaffirmed)

1. prior to transaction costs of ~\$0.8M

2. ie as if InfoReady had been owned since 1 January 2016

A Strong Strategic Fit: InfoReady and Melbourne IT

- 1** **Firmly in line** with MLB's announced strategy of building its corporate and government business (Enterprise Services) into the leading digital solutions partner for large enterprise and government organisations
- 2** **Strong competitive position** when acquiring new customers and expanding services to existing customers via the ability to deliver end to end digital solutions
- 3** **MLB gains critical capability** in the data and analytics market
- 4** **Completeness of solution** - data analytics in combination with cloud, mobile, security and cloud enabled application development capabilities enables complete end to end digital solutions
- 5** **Creates opportunities** to cross-sell, and enables MLB to drive new annuity revenues from supporting managed services

**MLB can now offer end-to-end
digital solutions**

InfoReady: facts and figures

1

Founded in 2008 InfoReady is a leading data and analytics provider for the enterprise and government market

- skills and competencies in the rapidly growing data and analytics market
- expertise in designing and implementing data platforms, combining and managing data and analysing data to provide meaningful and actionable insights.
- has experienced exceptional growth through ongoing success in data and analytics implementation for many of Australia's leading organisations.
- ongoing revenue, low customer churn, track record of successfully expanding customer base

2

88 employees with offices in Melbourne, Sydney and Brisbane

3

Impressive history of growth, underlying EBITDA growing at ~60% CAGR in recent years, and many industry awards including;



4

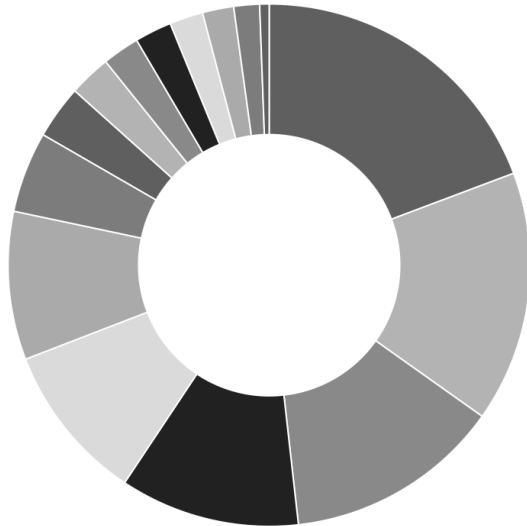
Directors Justin Parcell and Cameron Boog will **continue to lead** the InfoReady business, while Founder and Managing Director Tristan Sternson will take on a senior leadership role in MLB's Enterprise Services Division

ES

InfoReady: diversified revenue contribution

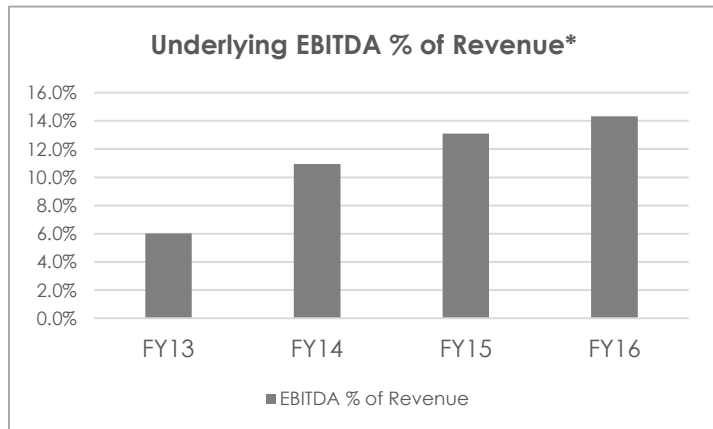
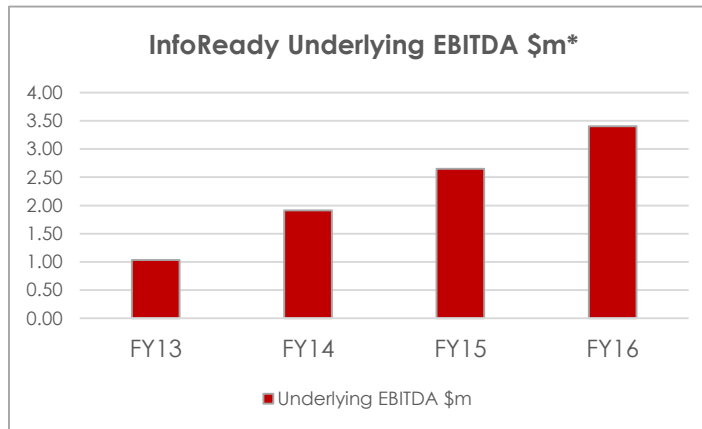
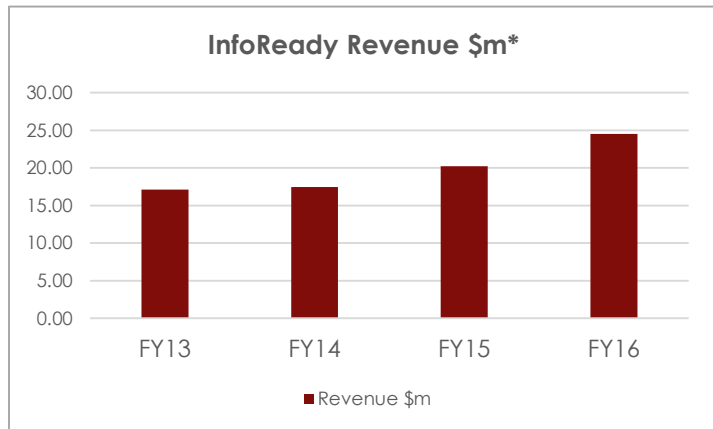
ES

Diversified Revenue Contribution From Clients



New customer contracts signed in Q1 2016, strong pipeline of opportunities and increased diversification

InfoReady: financial performance



- **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 portfolio of marquee brands
- Primarily project and professional services revenues

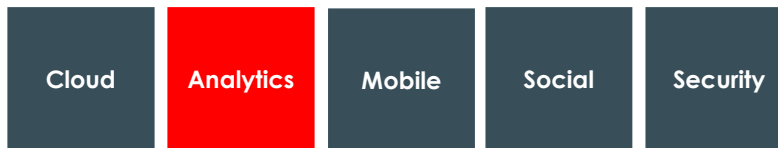
* Results are years ended 31 December.

ES

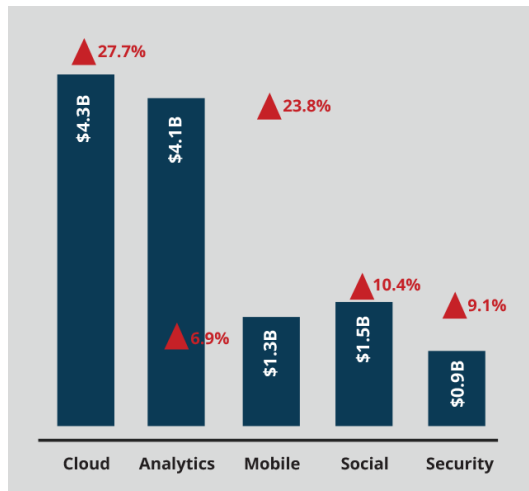
Digital Solutions: an attractive and strongly growing market

Large market opportunity with strong growth when combined with complementary digital technologies

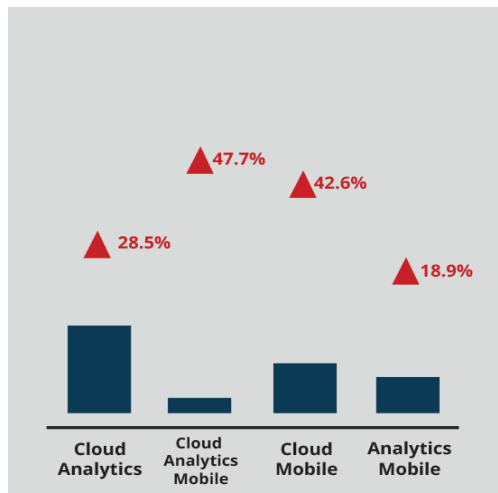
Foundation Digital Technologies (CAMSS)



CAMSS Market Size & Growth Rates 2015



CAMSS Intersections Opportunity 2015



Key: ▲ Annual Growth Rate 2015

Source: IBM 2015

- Good growth in all enterprise **digital solutions**
- Customers increasingly looking for **bundled solutions**
- Bundled solutions enjoying **very strong growth**
 - InfoReady founders understand this
 - Outware founders understood this
- “**Completeness of solution**” will drive significant growth for ES

ES

Comprehensive Digital Solutions: Enterprise Services & InfoReady

InfoReady

Integrate InfoReady and MLB account management for completeness of solution

Relationship Management

Relationship Management

- Enterprise Account Management
- Continually identify new opportunities for clients
- Bring together cohesive solution offerings

Integrate InfoReady and MLB marketing for improved cut through and value communication

Marketing

Go to Market

- Market development
- Marketing and promotion

Retain expertise in practices. InfoReady completes digital offerings

Data & Analytics

Outware Mobile

Digital & Apps

Cloud Solutions

Practices

- Acquire new customers
- Consulting, design and build
- Project Delivery
- New capability development

Combining analytics and cloud delivers next generation data management solutions. Performance measurement and targeted action.

Managed Services

Managed Services

Continuous change / Continuous Deployment, application ever greening, service and performance management

Key: InfoReady Design & Delivery Existing MLB ES business

ES

Enterprise Services Customers: marquee brands and substantial cross-selling opportunities



ES



Melbourne IT Selling International Domain Name Business

16 March 2016

Transaction Highlights: overview

Transaction Summary

- Melbourne IT (MLB) has sold its International Domain Name Resale Business.
- Total transaction consideration is \$8.1M to \$8.5M¹ (depending on AUD/USD exchange rate):
 - payable on completion (10% in escrow until 95% of customers are migrated)
 - represents an implied sale multiple of ~4.5x to 4.7x FY2016 underlying EBITDA
- Strong strategic rationale:
 - recycle capital from a declining non-core business into a growing core business
 - eliminate a persistent drag on the SMB P&L and improve the overall quality of earnings in SMB
 - simplifies the SMB business

Impact on MLB

- Expected to subtract ~ \$14.7M from MLB's revenue in CY2016
- Expected to subtract ~ \$1.8M from MLB's underlying EBITDA in CY2016²
- Once off profit on sale ~ \$2.9M

1. prior to transaction costs of ~\$0.2M
2. prior to transaction costs of ~\$0.2M

International Domain Name Business: facts and figures

1

History

- Melbourne IT was one of the first 5 global registrars for .com in Apr 1999
- Developed an automated domain name registration platform in 1999/2000 for high volume registrations from large Internet companies
- Average life span of top 10 resellers is 10+ years

2

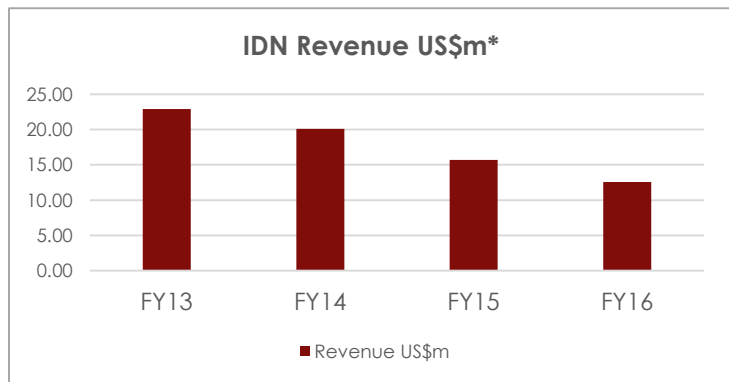
Current operations

- 250+ active global resellers
- Resellers in USA, UK, Japan, India, Canada, Italy, France, Germany, China
- 1.9 million domain names under management
- Domains spaces supported include .com, .net, .org, .uk, .au, .nz, .de, .fr, .se, .ca, .eu, .biz, .info, and .name

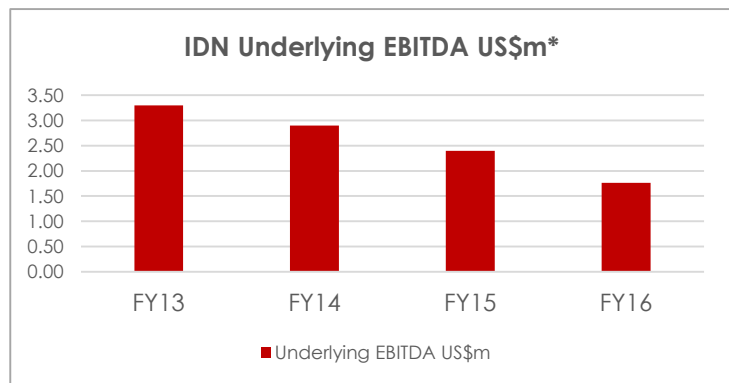
SMB

International Domain Name Business: financials

SMB



- **Low margin** revenue (~14% - 15%)
- Business has been in **persistent decline**
- A **non-core business** that has been a drag on overall SMB performance



* Results are expressed in US\$ to better convey the underlying performance of this business.

MLB: Delivering On Its Strategy

- ✓ Transformation of Enterprise Services
- ✓ Accelerating Higher Quality Earnings in SMB
- ✓ Operational and Financial Strength



Melbourne IT Capital Raising Details

16 March 2016

Capital raising: overview

Underwritten Placement

- \$15m Underwritten Placement to Professional & Sophisticated investors
 - Underwritten by Bell Potter Securities at a floor price of \$1.90 per share
 - Variable price bookbuild to be conducted at increments of \$1.92, \$1.94, \$1.96, \$1.98, & \$2.00
 - Proceeds used to fund the purchase of InfoReady and to strengthen the balance sheet
 - Placement shares will rank pari passu with current fully paid ordinary shares
-

Dividend

- Placement shares will be eligible for the final 4c dividend – record date 8 April 2016
 - Company may consider underwriting its DRP in respect of the final dividend
-

Capital raising: timetable

Event	Date
Trading halt Investor presentation released	16 March 2016
Book build opens	16 March 2016 at 10.00am
Book build closes	16 March 2016 at 5.00pm
Announce results of bookbuild Trading halt lifted	18 March 2016
Settlement of placement	23 March 2016
Placement shares allotted and commence trading	24 March 2016