



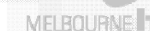
MELBOURNE **IT**

2008

Full Year Results

February 2009

Strong Financial Performance Continues



Year ended 31 December (A\$)	FY 08*	FY 07		↕%
Revenue	\$186.2m	\$154.4m	↑	21%
EBIT	\$23.7m	\$20.1m	↑	18%
NPAT	\$16.2m	\$13.9m	↑	17%
Basic EPS	20.87¢	18.15¢	↑	15%
Operating Cash	\$26.4m	\$24.6m	↑	8%
Final Dividend (Fully franked)	8.0¢	7.0¢	↑	14%
Deferred Gross Margin	\$28.5m	\$21.8m	↑	31%

2008 Overview



- ☑ 6th consecutive year of growth
 - Revenue
 - Profit
 - Operating cash
 - Fully-franked dividends
 - Earnings per share

- ☑ Continuing to evolve our business
 - Into a successful global IT services company
 - Broaden revenue base to insulate against the economic slowdown
 - Position to accelerate growth as market stability returns

- ☑ Focus on annuity products and bundling services to meet customers' needs & grow ARPU

- ☑ Final quarter 2008 – evidence of slowdown in all divisions

2008 Overview (cont'd)

The logo for Melbourne IT, featuring a stylized globe icon above the text "MELBOURNE IT".

MELBOURNE IT

- ✓ Names Under Management (NUM) grew 8% to 5.9m*
 - ✓ Industry growth also slowing – 16% in 2008 vs 28% in 2007

- ✓ Strong AUD/USD exchange rate for most of the year impacted results
 - ✓ \$800k+ negative impact on EBIT year on year across the Group

- ✓ Acquisition of VeriSign DBMS
 - Phase 1 integration completed - met all key targets & deliverables
 - Client transition going well

- ✓ Advantate JV established, sales team in place and beginning to build

2008 – Investments for Growth



- ☑ Focus on process improvement & managing cost base
- ☑ Increased sales capability across the world
- ☑ Revitalised IWS transformation program to consolidate systems to support long-term growth
 - Tam Vu, former CIO/Business Transformation Director of Seek, leading this program
- ☑ Continued Investment in infrastructure virtualisation capabilities
 - Investment in VMware Enterprise Server Virtualisation
 - 40% of servers have been virtualised – 16:1 consolidation ratio, 25:1 density improvement
 - 100% of shared storage has been virtualised – enabling three times the storage to be managed by the same team
 - Developing cloud based infrastructure offerings in conjunction with VMware (vCloud)

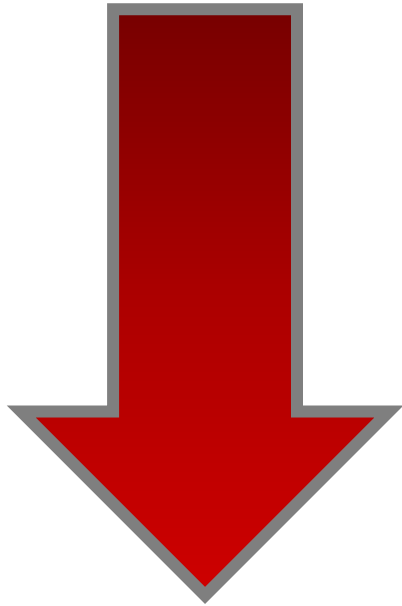
2008 – Investments for Growth (cont'd)



- ☑ Other investments to support scalability & create efficiencies
 - New storage infrastructure \$3.4m
 - Enterprise-grade data centre backup solution \$1m
 - Data centre expansions – Australia & US
 - Enhanced anti-spam & anti-virus capabilities
 - New software systems to improve productivity across the Group
 - Launch of new Project Management web portal, timesheet system and resource management tools

- ☑ Investments in training
 - Sales, management, leadership and specialised technical training

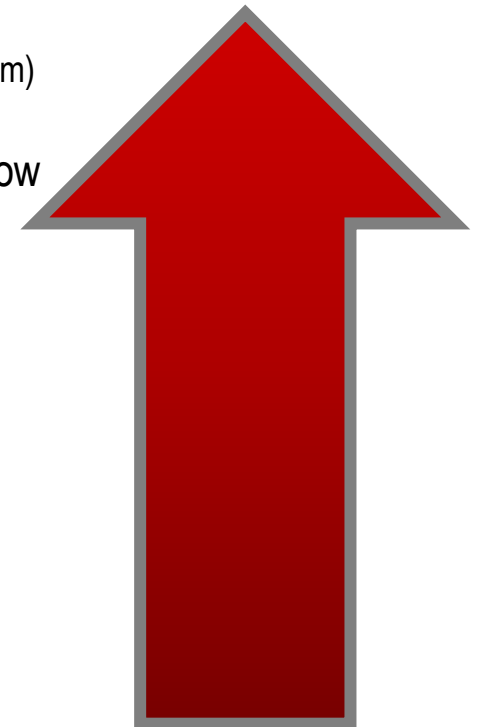
2009 – Challenges



- Global economic slowdown - companies rationalising services
- Global IT spend to be static in 2009 (IDC) – longer time to decisions
- SMBs under pressure, 100,000+ expected to fail in 2009 (D&B Australia)
- Continued domain name & shared hosting commoditisation
- Need to re-energise some major international partners
- Complexity of global operations
- Volatile global exchange rates
- Slowing growth in global domain name registration rates

2009 – Opportunities for Growth

- DBMS integration on track, focus on cross-selling to client base
- SaaS predicted to grow 42% in 2009 due to downturn (IDC)
- Liberalisation of gTLDs in 2009, making ‘.brand’ a reality
- New TLDs and IDNs adding complexity to digital brand management
- Online ad & SEM growth slowing, still double-digit growth predicted (eMarketer.com)
- Growing requirements for Virtualisation / Capacity on Demand / Pay As You Grow
- Strong cost control focus across the board
- Slowing staff churn, salary pressure reducing
- Strong brand & positioning in key global markets
- Large, diverse customer base
- Process and productivity improvements to be delivered from IWS execution



Divisional Performance – including Advantate & DBMS



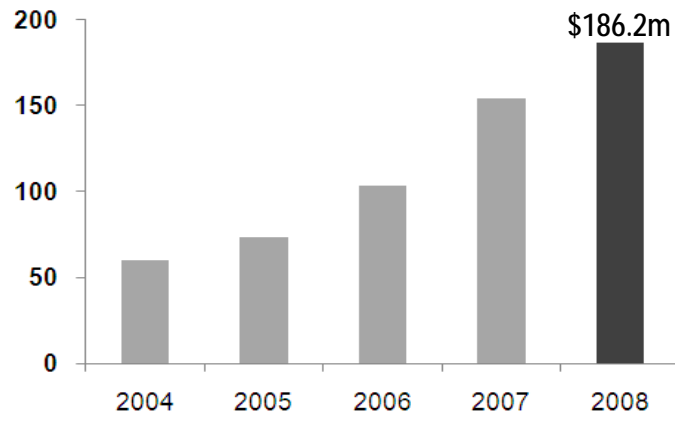
Year ended 31 December (A\$)	FY 08	FY 07	↕%
Revenue	\$186.2m	\$154.4m	21%
Business & Consumer	\$42.7m	\$41.3m	3%
Partner Solutions (Reseller)	\$61.4m	\$60.4m	2%
Corporate & Government	\$26.0m	\$23.3m	12%
Digital Brand Services (incl DBMS)	\$44.9m	\$17.1m	162%
For The Record	\$8.9m	\$10.6m	-16%
Interest and Other Revenue	\$2.3m	\$1.7m	35%
EBIT	\$23.7m	\$20.1m	18%
Business & Consumer	\$11.8m	\$11.2m	6%
Partner Solutions (Reseller)	\$7.4m	\$7.8m	-5%
Corporate & Government	\$3.2m	\$2.8m	16%
Digital Brand Services (incl DBMS)	\$4.3m	\$0.9m	396%
For The Record	\$0.5m	\$0.7m	-28%
Advantate Contribution	-\$0.7m	N/a	N/a
Corporate Overhead	-\$2.9m	-\$3.3m	-12%

Slide 9 NB Figures may not total exactly due to rounding

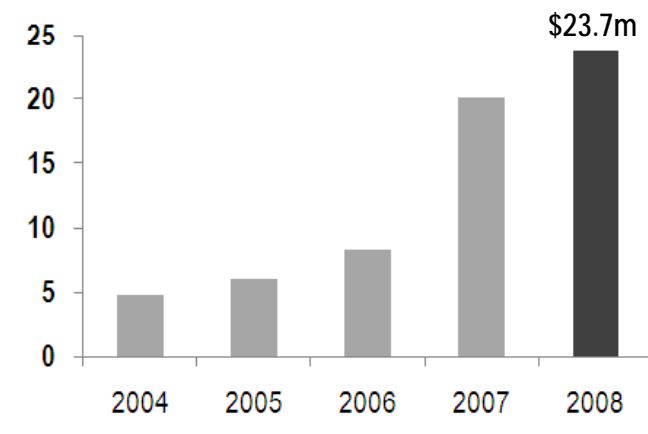
Financial Performance



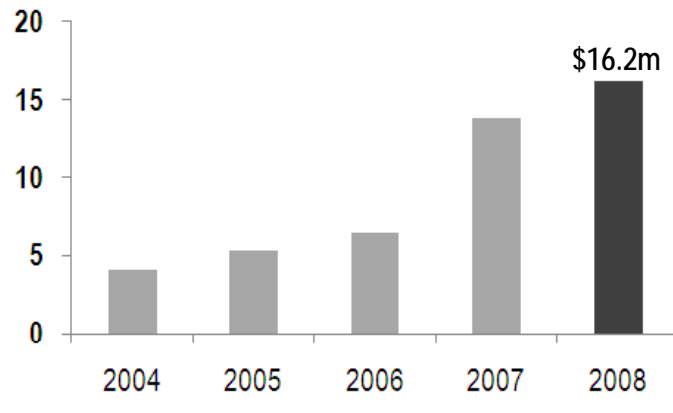
Revenue (\$m)



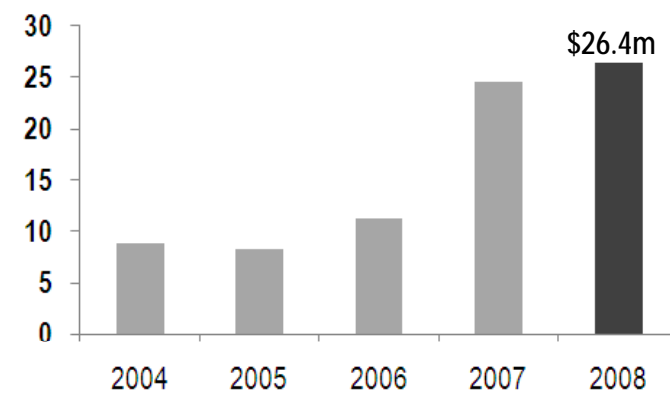
EBIT(\$m)



NPAT(\$m)



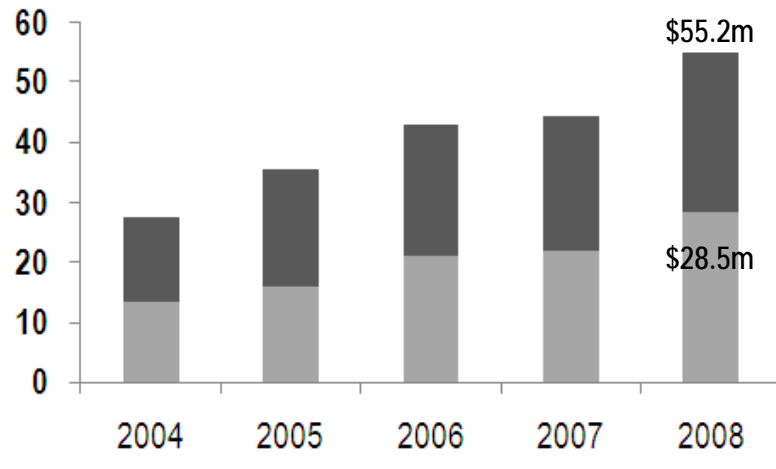
Operating Cash (\$m)



Financial Performance

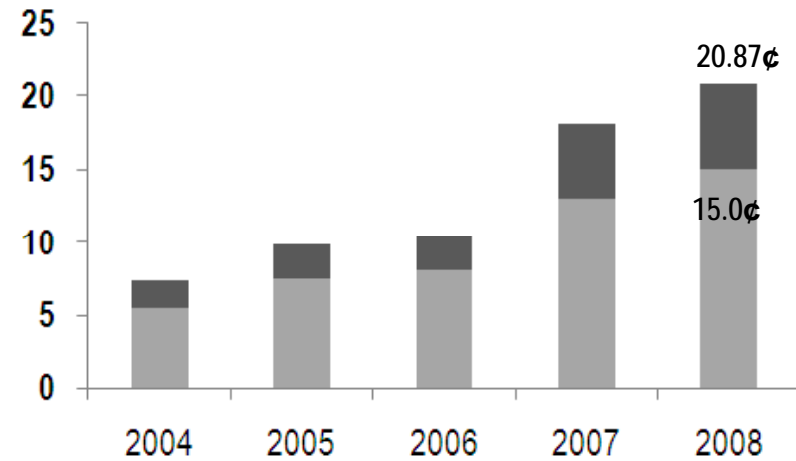


Deferred Gross Margin (\$m)



Deferred Revenue
 Deferred Gross Margin

Basic EPS & Dividend (¢)



EPS	7.34¢	9.87¢	10.47¢*	18.15¢	20.87¢
Div	5.5¢	7.5¢	8.0¢	13.0¢	15.0¢

* 2006 EPS excludes gain on sale of Neulevel

Capex & Treasury



- Capex in 2008 up 55% to \$10.0m
 - \$6.8m – customer installations
 - \$2.1m – other internal capex
 - \$1.1m – DBMS capital investments

- Forecast capex of \$14m in 2009
 - \$8m relates to dedicated customer installations

- Continued strong cash reserves
 - Closing cash position of \$28.4m

- With DBMS acquisition, external debt balance of \$79.6m as at 31 Dec 08
 - Up from \$57.1m at 30 June 2008 due to changes in the AUD/USD exchange rate, which also positively impact the value of the assets gained
 - Debt facility will be serviced by USD revenues & earnings which will move in line with the US dollar exchange rate
 - Interest cover >17 times
 - Effective interest rate in 2008.was 3.95%

Business & Consumer

Results

	FY 08	FY 07	Change
Revenue	\$42.7m	\$41.3m	3%
Contribution Margin	\$11.8m	\$11.2m	6%
Average Revenue Per User	\$329	\$303	9%

- eBusiness Centre Sales up 14% to \$18.3m
- Strong growth in SEO, web design & ccTLD products
- Launched WebAsia, AliBaba, monthly SEO products
- Rolled out SaaS products to Domainz brand
- Stabilisation of billing and infrastructure systems provides platform for continued growth

- 
- ▶ 3 market leading brands
 - ▶ 350,000+ customers
 - ▶ 40,000+ transactions/mth

Business & Consumer



Outlook

- Continued staff training across eBusiness Centres to improve sales execution & enhance customer management
- Customer segmentation project to leverage existing relationships and drive up-sell opportunities
- Pursue bundling & up-sell opportunities across key brands
 - SaaS products – Managed Exchange, Managed SharePoint, Promotions Manager
 - Search Engine Marketing services
 - Web design services
 - Advantate
- Cement brand positioning as leading single-source supplier of internet services for SMBs in Australia & NZ

Partner Solutions (formerly Reseller)

Results

	FY 08	FY 07	Change
Revenue	\$61.4m	\$60.4m	2%
Contribution Margin	\$7.4m	\$7.8m	-5%
Names Under Management	4.9m	4.8m	1%

- Low growth in NUM due to slowdown & challenges facing large resellers
 - NUM up 3% in H108 to 5.0m; but down -2% in H2 08 to 4.9m
 - Global domain name growth slowed from 28% in 2007 to 16% in 2008
 - Renewal rates consistent at more than 70%
- Re-signed major telco partner to 24 month contract
- Recruited 239 new SMB resellers in 2008
- Continued growth in SaaS products via resellers – up 40% to \$1.5m
 - Marketing push by major Australian reseller for Managed Exchange

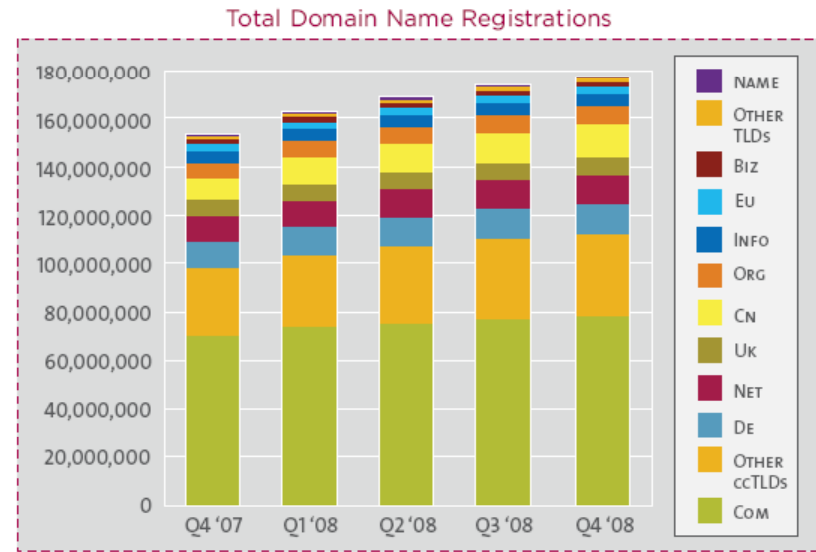
- 
- ▶ 2000+ active resellers
 - ▶ 45+ countries
 - ▶ 2 reseller types:
 - ▶ SMB Partners
 - ▶ Strategic Partners

Partner Solutions (formerly Reseller)



Outlook

- New EVP – Partner Solutions, Lori Harmon, to start in March – 20 year Silicon Valley veteran (based in Mountain View)
- Re-energise key global partners
- Forecast domain registrations to continue to slow in 2009
- AUD/USD exchange rate to strongly contribute to improved EBIT result in 2009



Corporate & Government

Results

	FY 08	FY 07	Change
Revenue	\$26.0m	\$23.3m	12%
Contribution Margin	\$3.2m	\$2.8m	16%
New Contracts Signed	183	131	40%
Average Contract Value	\$127k	\$103k	23%

- Signed 183 contracts during the year
- Strategic partnerships with key Systems Integrators & consulting firms
- New offerings – SiteSafe Disaster Recovery & Voyager Migration Services
- Service issues resulted in higher than usual customer churn & SLA rebates, although significant improvements achieved by end 2008

▶ 900+ clients
▶ 1,300 servers
▶ 75+TB data transfer/mth



Corporate & Government



Outlook

- Technical expertise continues to differentiate
 - New virtualisation-based Lab Manager will be one of the first of its kind in the world
 - Cloud based infrastructure offerings in conjunction with VMware (vCloud)
 - Only hosting co in Asia Pacific to participate in Microsoft Software + Services Incubator program
 - Microsoft Hosting Partner of the Year Award in Australia
- Capitalise on trend towards selective outsourcing in current uncertain times
- Continue to grow quality of customer base and move 'up the value chain'
 - Prospect pipeline growing for offerings such as Corporate SharePoint , Corporate Exchange & MediaPoint
- Improve systems, documentation and monitoring

Digital Brand Services

From H1 09 DBMS and CBS results will not be reported separately.

Results

	FY 08*	FY 07+	Change
Revenue CBS	\$20.9m	\$17.1m	22%
Revenue DBMS	\$24.0m	N/a	N/a
Total Revenue DBS	\$44.9m	\$17.1m	162%
Consulting Revenue	\$35.2m	\$9.2m	283%
Contribution Margin CBS	\$2.7m	\$0.9m	214%
Contribution Margin DBMS	\$1.6m	N/a	N/a
Total Contribution Margin DBS	\$4.3m	\$0.9m	396%
Digital Brands Under Mgt	508,449	157,732	222%
Total Clients	3,102	527	489%

- 110+ new clients signed in 2008 including Austar, Nissan Australia, Thiess & RACQ
- Launched new products - Critical and Corporate DNS
- Acquired upgraded services following DBMS acquisition
 - Anti-phishing services
 - Domain management portal
- Value-added services for CBS up 75% vs 2007 for DNS, monitoring, recovery & web traffic analytics



▶ 3,100+ clients

▶ 99%+ client retention

▶ 90%+ client satisfaction

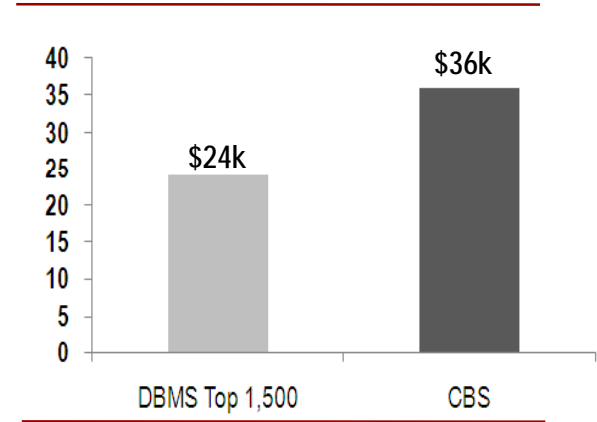
Digital Brand Services



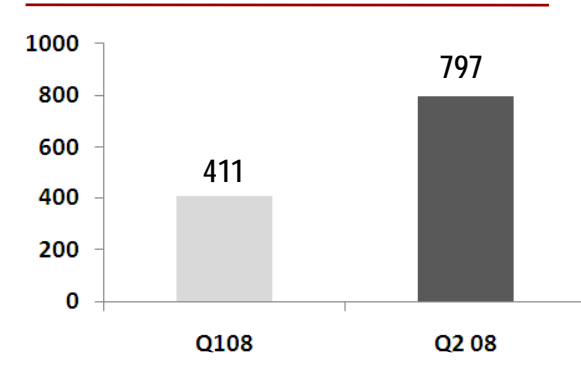
Outlook

- Kanchan Mhatre promoted to EVP – Digital Brand Services, strong background in integrating businesses and driving profitable growth, 20 years' experience in internet industry (based in NY)
- Customer demand continues to grow for new services, including
 - Premium DNS solutions
 - Monitoring & recovery (OBIS)
 - Web traffic analytics
- ICANN TLD liberalisation to increase domain management complexity and offer new branding opportunities for clients
- Drive growth in ARPU through product innovation & integrated offerings, transitioning beyond legal / IP clients to marketing clients
- Investment in systems – such as provisioning and back office support - to continue to improve client service & operational efficiency
- Economic instability will drive cost-cutting focus and expect to see some pricing pressure during 2009

ARPU 2008 (\$k/yr)



Hijacked Brands - H1 08



Anti-Phishing Working Group, Dec 08

Digital Brand Services



Integration Update

- DBMS integration into Melbourne IT meeting all targets
 - On track to meet one-off integration & transition costs of US\$3.8m for entire project
 - Majority of integration to be completed in Q2 2009
 - Focus on sales & enhancing service levels
 - In mid January, migrated DBMS onto unified Melbourne IT platform
 - Unified systems established – CRM, Finance, HR, Payroll, Billing (US)
- Integration tasks in 2009
 - Complete customer migration onto combined Digital Brand Management portal
 - Integration to the automated domain name registration system
 - Unified systems established – CRM, Finance, HR, Payroll, Billing (Europe)

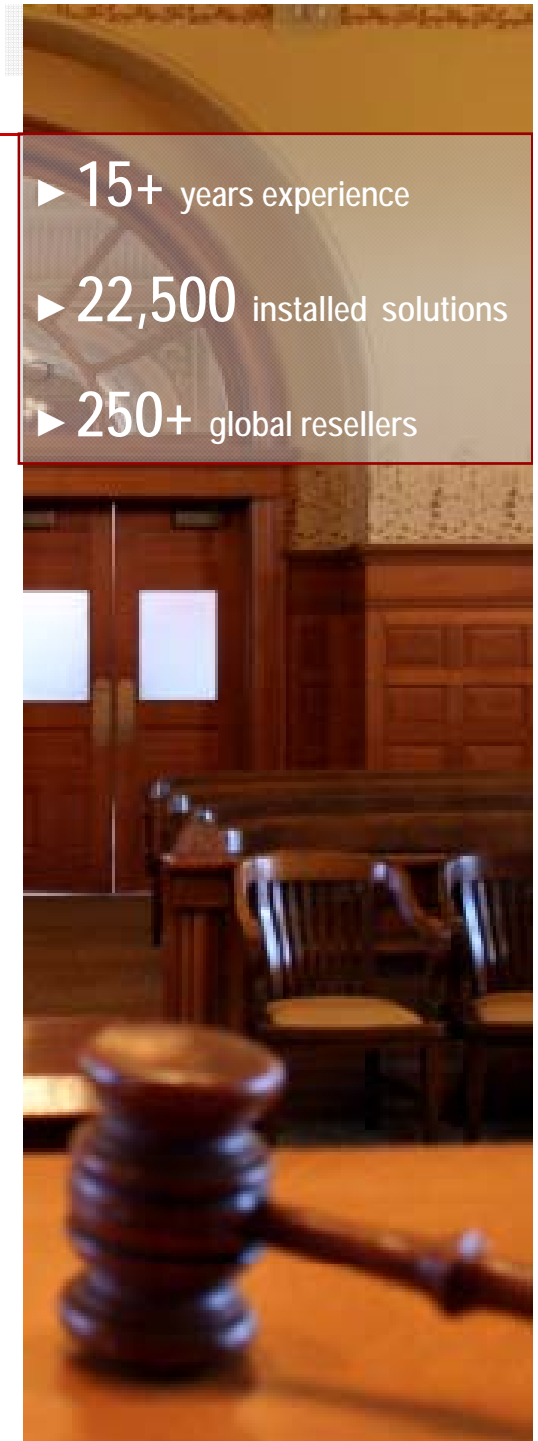
ForTheRecord

Results

	FY 08	FY 07	Change
Revenue	\$8.9m	\$10.6m	-16%
Contribution Margin	\$0.5m	\$0.7m	-28%
Recording Solutions Sold	2,785	3,244	-14%

- Focus on building sales pipeline & re-energising strategic relationships
- Growth of annuity business - sold 1,319 upgrade solutions in 2008, over 500% growth
- Key digital recording customers signed in 2008:
 - Hong Kong Courts (annuity support business)
 - Courts of British Columbia, Canada
 - Courts of Abu Dhabi
 - Republic of Ireland
- Developed custom web-based solution for Australian Federal Parliament

- ▶ 15+ years experience
- ▶ 22,500 installed solutions
- ▶ 250+ global resellers





Outlook

- Success of management restructure evident – 2009 has started well
- Rebuilding phase continuing
 - Further process & productivity improvements
 - Regain reputation for industry-leading product development
 - Improved reseller relationships and provide comprehensive training roll out
 - Enhance FTR brand value & awareness
- Pursue new translated product strategy in Latin America & Middle East
- Continue to expand presence in Legal and Law Enforcement Markets globally
- Grow service offerings and transition to annuity revenue streams

Melbourne IT Group Outlook



Overview

- Although experienced slowdown in all divisions in Q4 08, early Q1 09 indications are positive and meeting growth expectations
- We are taking the same prudent approach to managing our business
 - Removing costs
 - Reducing administration
 - Consolidating suppliers
 - Leveraging relationships
 - Improving productivity
 - Slowing the hiring of new and replacement staff

Melbourne IT Group Outlook



Investments

- Continued commitment to investing for the future
 - Development and consolidation of systems
 - Recruiting additional sales & customer support staff
 - eBusiness Centre staff to grow 29% in 2009
 - Added DBS Business Development Managers in Germany, Sweden, UK & US
 - IWS transformation, with a dedicated team leading this project
- New product innovation & enhancements
 - Registry opportunities from new '.brand' gTLDs
 - Further development of monitoring, recovery & web traffic analytics services
 - Continued upgrade of hosted software products
 - Roll out of cloud computing capability
 - Extending Arabic and Spanish language support for digital recording & storage products

Melbourne IT Group Outlook



DBMS & Advantate

- DBMS integration to be substantially completed by June 2009
 - Forecast EBIT contribution of DBMS to exceed \$4.0m+ in 2009
- Advantate is moving beyond the start-up phase and is focused on customer acquisition
 - Current economic climate is creating short-term challenges
 - Q1 2009 sales results are growing steadily
 - Forecast EBIT impact in 2009 expected to be \$500k loss
 - Expected to break even in Q4 09
 - Business line is a natural extension to MLB service offering

Melbourne IT Group Outlook



- We expect to outperform our 2008 result in 2009

- Encouraging start to 2009
 - Favourable exchange rates
 - Full year contribution from DBMS
 - Significant reduction in TSA and integration costs from DBMS acquisition
 - Cost control strategies in place across the board
 - 90% of revenue is annuity based
 - ARPU continues to grow
 - Upgraded value-added services – such as SaaS, web traffic, monitoring & recovery, FTR Gold with Arabic language support – are getting traction with customers

Evolution & Commitment



- We will continue to evolve to be a global leader in IT services
 - Provide tools to SMBs to help them succeed online
 - Manage critical applications for businesses online
 - Manage digital brands globally & optimise their performance
 - Provide digital recording services that capture critical information for organisations

- We are committed to:
 - Creating a global leadership position in these four key areas of our business
 - Continuing to outperform
 - Making 2009 our 7th year in a row of profitable growth
 - Creating opportunities for our staff
 - Rewarding our shareholders



MELBOURNE **IT**

2008

Full Year Results

Questions?