



MELBOURNE **IT**

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## **ASX Announcement/Media Release**

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

20 October 2015

### **Australian Microcap Investor Conference Presentation**

Attached is a copy of the presentation to be delivered by Melbourne IT's CEO & Managing Director, Martin Mercer, at the Australian Microcap Investor Conference in Melbourne today.

Edelvine Rigato  
Company Secretary

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**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 "Enable Online Success" and its vision is to be the dominant brand in Australia and New Zealand for cloud and mobile solutions. 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 domain and hosting business with revenues of approximately \$120m and 210 staff. The SMB business operates under the Melbourne IT, WebCentral and Netregistry brands and wholesale brand TPP.

The Enterprise Services Business (ES) is Australia's leading cloud enabled software and services business with revenues of \$45m and 200 staff. ES is based in Sydney, Melbourne and Brisbane and has a blue chip customer base.

*Transforming MLB into a growing solutions led  
business with higher quality earnings*



MELBOURNE **IT**

(ASX : MLB)

20 October 2015  
AUSTRALIAN MICROCAP  
INVESTOR CONFERENCE

VISION AND STRATEGY

FOUR KEY PRIORITIES

UNDERLYING PERFORMANCE & GUIDANCE

ENTERPRISE SERVICES

SMALL TO MEDIUM BUSINESS

RECAP



The Internet is **revolutionizing** the way business is done.

Everything MLB does **enables** businesses to be successful online.

We are the designers, the engineers and the operators of the most effective **online solutions**.

Transforming MLB into a growing **solutions led business** with higher quality earnings.

We are focussed on delivering strong free cash flows and enhancing **returns** to shareholders.



### We Have a Clear and Consistent Focus on Four Key Priorities That Underpin Our Strategy and Shareholder Value

1. **Integrating our acquisitions** to generate operational, financial and cultural benefits.
2. **Arresting revenue decline in core** SMB product categories and returning the business to growth. Drive growth in core product offerings such as .AU domain names and deliver higher attachment rates with better customer lifecycle management.
3. Continued **development of our SMB solutions business** driven by “Do-It-For-Me” (DIFM) website solutions and social media marketing tools such as Tiger Pistol. Market is 4x larger than MLB’s traditional domains and hosting market and exhibits stronger growth than traditional market.
4. **Continued development of ES** managed services and new capabilities to offer clients a larger suite of digital services. Managed services revenue continues to grow faster than the decline in traditional infrastructure revenues.

- Statutory EBITDA is expected to be in the range of \$16m to \$18m for 2015
- Underlying EBITDA is expected to be in the range of \$20.5m to \$22.5m for 2015
- Underlying EPS\* is expected to be in the range of \$0.10 and \$0.11 per share for 2015
- Interim dividend of \$0.01 (80% franked)
- We anticipate that the full year dividend will be the same as in 2014
- In 2016 the Board will look to adopt a longer term dividend policy, but during this period of significant acquisition activity and the investment in growth dividend payments will not be calculated by reference to a formal payout ratio

\* Underlying EPS is undiluted

## HALF YEAR ENDING 30 JUNE 2015

## NOTES

<b>H1 FY15 Statutory EBITDA</b>	<b>\$5.2m</b>	Statutory EBITDA reported for H1 FY15 (includes \$0.3m contribution from Uber Global and \$0.4m contribution from Outware Systems)
Adjustments to calculate underlying EBITDA		
1. Transaction costs	\$1.7m	One off transaction costs incurred in H1 2015 for acquisitions
2. Synergy costs	\$0.8m	One off cost of delivering synergies in H1 FY15
3. au.com provision	(\$0.8m)	Write back of NRG pre-acquisition provision
4. Additional Outware contribution	\$2.4m	Additional five months of EBITDA from Outware in H1 FY15*
5. Additional Uber contribution	\$0.7m	Additional four months of EBITDA from Uber in H1 FY15*
<b>Underlying EBITDA H1 FY15</b>	<b>\$10.0m</b>	After reversing the impact of material one-off items and as if all acquisitions are owned for the full six months of H1 FY15

\* as if all acquisitions owned since 1 Jan 15 – ie additional EBITDA contributions up to completion not already included in Statutory EBITDA. Included to assist investors to estimate full year profit.

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.

HALF YEAR ENDING 30 JUNE 2015	H1 2015	H1 2014	↕ %	KEY NOTES
Revenue	\$69.2m	\$59.6m	16%	Organic growth from Enterprise Services and contribution from acquisitions.
NPAT	\$1.2m	(\$4.6m)		Prior period NPAT impacted by once off impairment charge of \$8.6m (\$6m tax effected).
EBITDA	\$5.2m*	\$3.6m	44%	Growth in Enterprise Services and the inclusion of acquisitions (ie Netregistry, Uber Global and Outware Systems).
EBITDA % Margin	8%	6%		Strong margin improvement with increased scale and synergy savings.
EPS (cents)	1.28c	(5.25c)		Prior period EPS impacted by once off impairment charge of \$8.6m (\$6m tax effected) on legacy technology systems.

\* Includes corporate costs of ~\$4m, the period-on-period increase of \$800k is a result of higher transaction costs, full period impact of CEO remuneration, and centralisation of some shared services functions.

Please note: Figures throughout this document may not be exact due to rounding and includes non-IFRS financial information that is relevant for users understanding the underlying performance.



- Delivers solutions that increase agility and innovation rates for organisations with a particular focus on digital transformation
- Large Enterprise and Government customer portfolio
- **Cloud Practice**
  - Amazon Web Services Premier Partner
  - Data centre migrations solutions
  - Cloud enabled digital transformation
- **Security Practice**
  - Security consulting
  - Security policy management
- **Application Practice**
  - Cloud enabled software solutions
  - Middleware integration
  - Net and Java Skills; Microsoft Gold Partner
- **Mobile Practice**
  - Enterprise mobile application development & consulting
  - UX design and consulting
  - IOS and Android development
- **Proactive 24x7x365 Managed Services**
  - Delivered across the 4 practices
  - DevOps skills
  - Automation and tool kits

## ENTERPRISE CLOUD SOLUTIONS

<p><b>CLOUD SERVICES</b> Shift your business focus on growth</p>	<p><b>SECURITY SERVICES</b> Don't become tomorrow's headline</p>
<b>DESIGN - BUILD - MANAGE</b>	
<p><b>WEB, DIGITAL &amp; APPLICATION SERVICES</b> Better experience = higher engagement</p>	<p><b>MOBILE APPLICATIONS</b> Mobile - It's what we do</p>

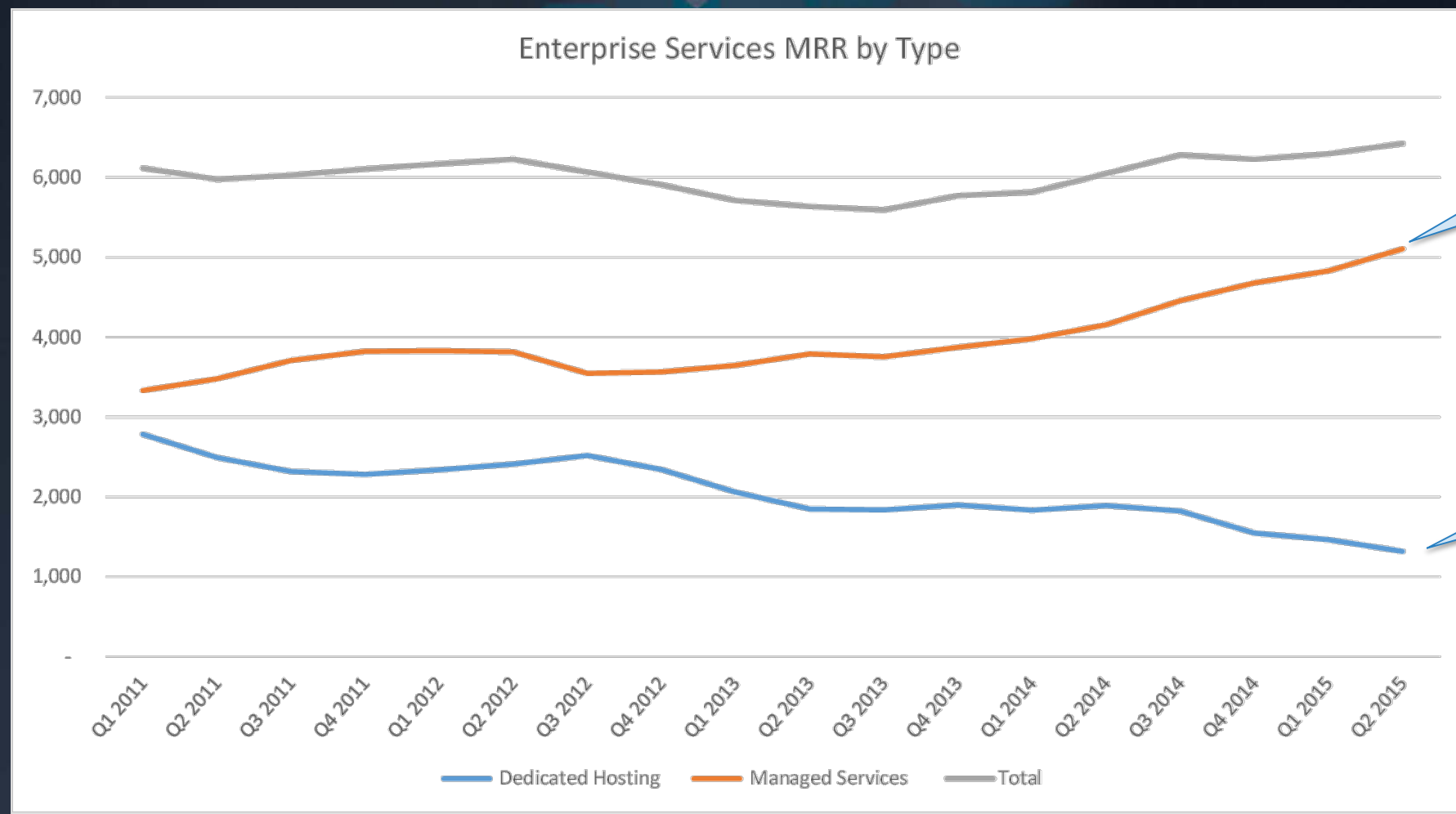


### QUALITY & SECURITY ACCREDITATIONS



ES continues to transform from an Infrastructure-As-A-Service (IaaS) business towards a Managed Services business

Total addressable market size estimated at \$600M, with \$300M in Managed Services growing at 16% CAGR



Managed services gaining momentum and contributing to overall growth

Transitioning away from dedicated hosting

HALF YEAR ENDING 30 JUNE 2015	H1 2015	H1 2014	↕ %	KEY NOTES
Revenue	\$15.7m	\$13.1m	19.8%	Strong growth in cloud solutions continues
Gross Margin	\$9.7m	\$8.5m	14.1%	Underlying gross margin <sup>^</sup> declined by 2% as business model shifts from capital intensive hosting business to managed cloud services
Opex	\$7.9m	\$7.1m	11.3%	Underlying Opex <sup>^</sup> improvement driven by reductions in equipment costs and change in business model to managed cloud services
EBITDA**	\$1.8m	\$1.4m	28.6%	
EBITDA % Margin	11.5%	10.7%		

\*\* Includes non-IFRS financial information that is relevant for users understanding the underlying performance

<sup>^</sup> underlying GM and underlying Opex excludes impact of Uber Global and Outware Systems – the shift from our own infrastructure to the public cloud continues to deliver reductions in opex but negatively impacts GM

SMB IS IN TRANSITION FROM A TRADITIONAL HOSTING BUSINESS TO A PROVIDER OF MANAGED DIGITAL SOLUTIONS FOR SMALL AND MEDIUM BUSINESS



## SOLUTIONS SEGMENT

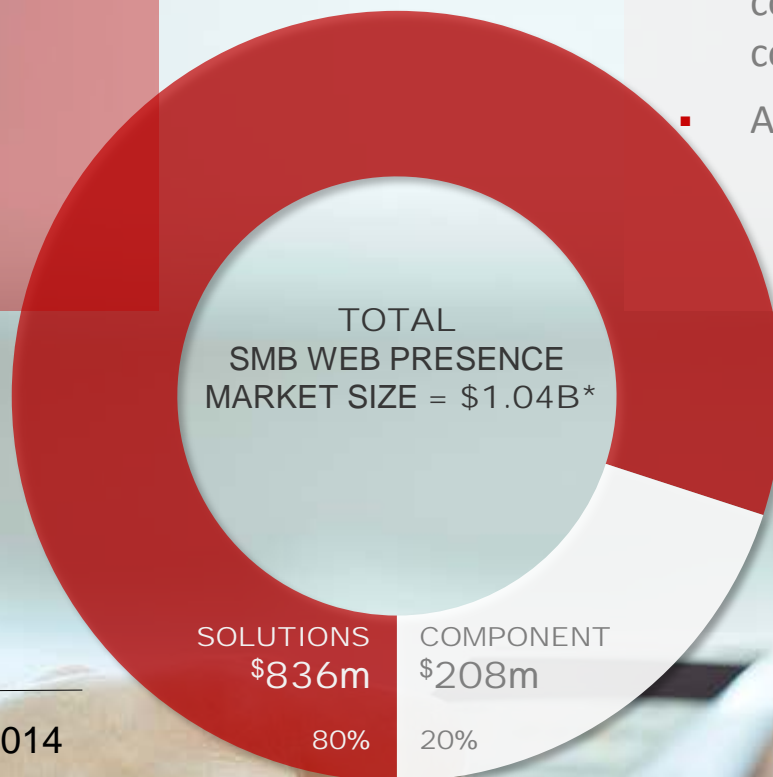
- Customers prepared to pay for solutions that meet a need or solve a problem
- Local support and Do-It-For-Me proposition
- Highly fragmented market with no major competitor in Australia
- Average ARPU \$100-\$400pm

80%

## COMPONENT SEGMENT

- Domains, web hosting, and email are key components for SMBs but account for only 20% of the market by value
- MIT No. 1 in the Australian market but highly competitive with large competitors driving commoditisation
- Average ARPU \$5-\$50pm

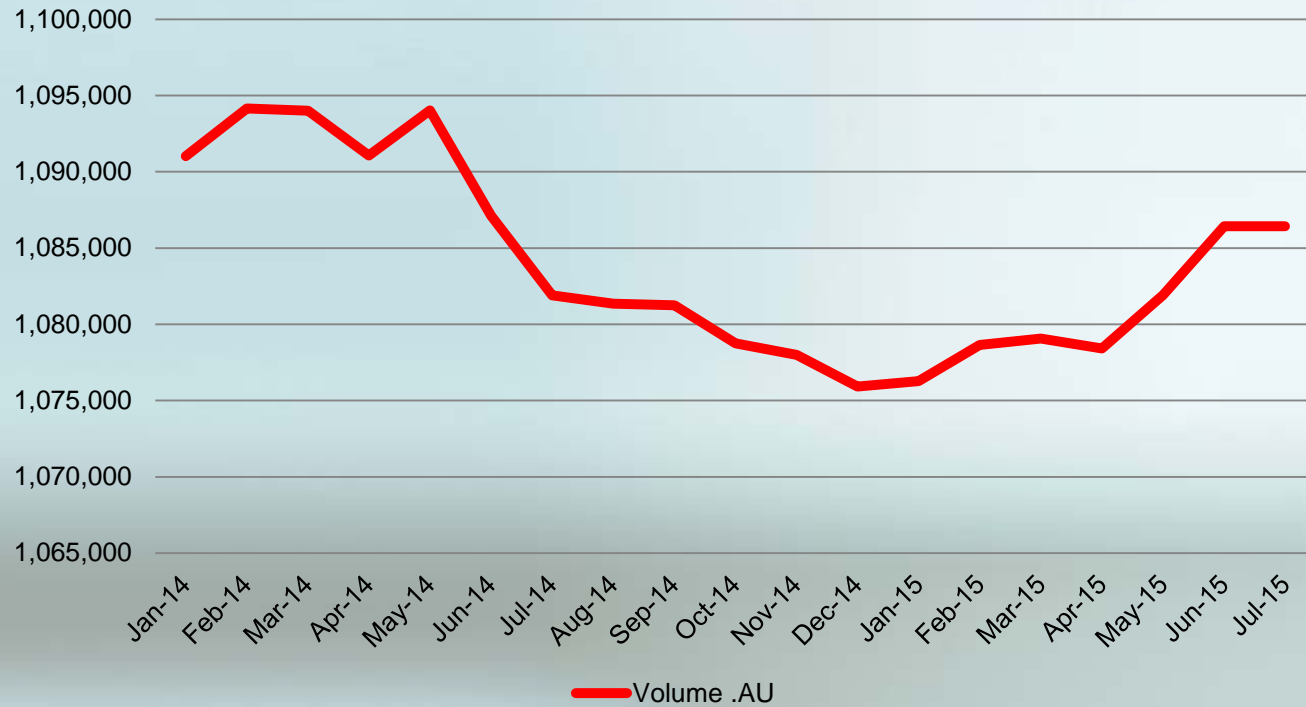
20%



■ SOLUTIONS  
■ COMPONENTS

\* MIT analysis. Market size 2014

## VOLUME OF .AU NAMES UNDER MANAGEMENT

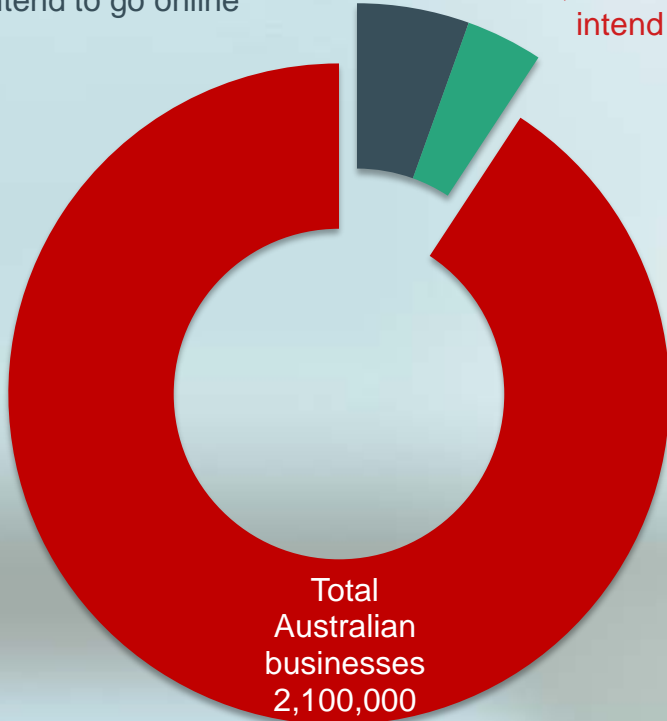


- INCREASING SHARE OF NEW .AU NAMES RESULTING IN A STABLE TO GROWING SHARE OF OVERALL MARKET
- A STABLE TO GROWING SHARE OF A GROWING MARKET TRANSLATES TO OVERALL GROWTH IN NAMES UNDER MANAGEMENT
- GROWTH OF .AU UNDER MANAGEMENT IS A LEAD INDICATOR OF FUTURE PERFORMANCE

### DO-IT-FOR-ME WEBSITE UNITS (TO 31 JULY 2015)

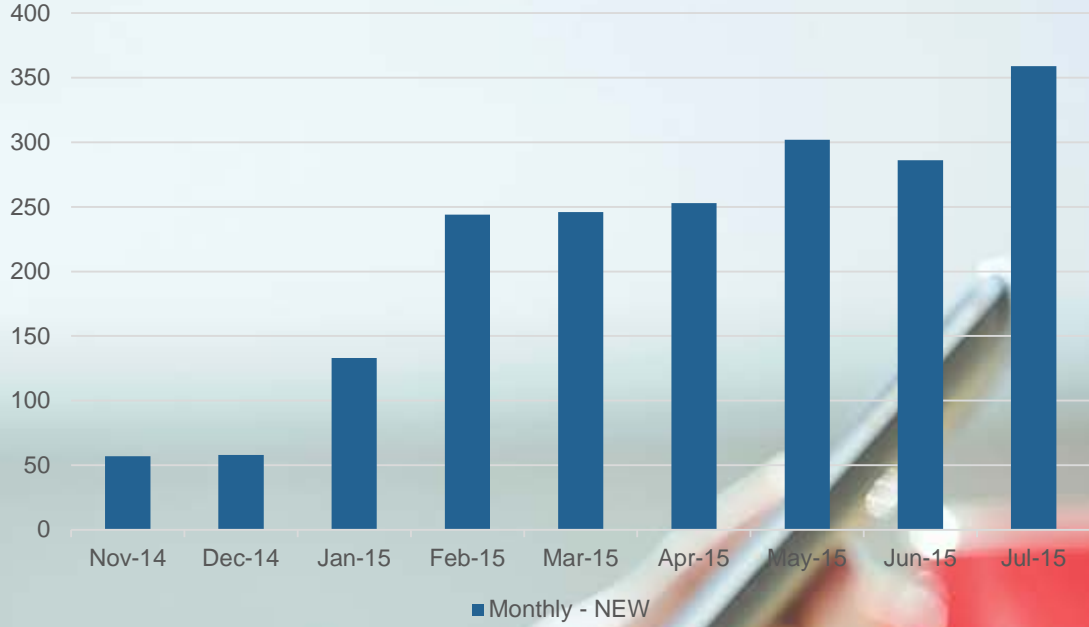
127,000 **new** businesses intend to go online

87,000 **existing** business intend to go online



214,000 small businesses intend to build a web presence in the next 12-18 months

#### NEW DIFM



- Monthly volumes are new sales only

<b>HALF YEAR ENDING 30 JUNE 2015</b>	<b>H1 2015</b>	<b>H1 2014</b>	<b>↕ %</b>	<b>KEY NOTES</b>
Revenue	\$53.3m	\$46.1m	15.6%	Positive impact from acquisitions partially offset by decline in legacy domains and hosting revenue
Gross Margin	\$28.9m	\$25.0m	15.6%	Positive impact from acquisitions of Netregistry and Uber Global.
Opex	\$21.6m	\$19.6m	10.2%	Additional costs from acquisitions partially offset by tight cost management across the business.
EBITDA**	\$7.3m	\$5.4m	35.2%	
EBITDA % Margin	13.7%	11.7%		

\*\* Includes non-IFRS financial information that is relevant for users understanding the underlying performance of the business.



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**Trading is in Line With Expectations**

## *MANAGEMENT TEAM*

- **PETER FINDLAY**, CHIEF FINANCIAL OFFICER
- **CATH HODGSON-CROKER**, CHIEF SALES OFFICER
- **BRETT FENTON**, CHIEF INTEGRATION & CUSTOMER OFFICER
- **VERITY MEAGHER**, CHIEF MARKETING OFFICER
- **AMY RIXON**, CHIEF PEOPLE OFFICER
- **BRUCE TONKIN**, CHIEF STRATEGY OFFICER
- **PETER WRIGHT**, EXECUTIVE GENERAL MANAGER, ENTERPRISE SERVICES

## *BOARD OF DIRECTORS*

- **SIMON JONES**, CHAIRMAN
- **MARTIN MERCER**, CHIEF EXECUTIVE OFFICER & MD
- **TOM KIING**, NON-EXECUTIVE DIRECTOR
- **NASEEMA SPARKS**, NON-EXECUTIVE DIRECTOR
- **ROB STEWART**, NON-EXECUTIVE DIRECTOR
- **LARRY BLOCH**, NON-EXECUTIVE DIRECTOR