



MELBOURNE **IT**

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ASX Announcement/Media Release

Melbourne IT (ASX: MLB)

27 May 2015

Annual General Meeting Chairman's Address and CEO's Presentation

In accordance with ASX Listing Rule 3.13.3, attached is a copy of the Chairman's Address and the CEO's presentation to be delivered at the Annual General Meeting which will be held today.

Edelvine Rigato

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ENDS

About Melbourne IT

Melbourne IT (ASX:MLB) helps organisation of all sizes to successfully conduct business online. Our complete portfolio of Internet-based technology services drives business effectiveness and profitability for our customers.

The breadth of Melbourne IT's offering extends from helping small businesses build an online presence through to managing the complex web environments of large enterprises and governments.

Melbourne IT's culture of integrity, innovation, collaboration and customer centricity has been built by more than 300 employees spread across Australasia and the United States. For more information, visit www.melbourneit.info.



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Melbourne IT Ltd 2015 AGM

CHAIRMAN'S ADDRESS

"Building for Growth – On track and well advanced"

I am pleased to report that the execution of our strategy to transform Melbourne IT into a growing, solutions led business with higher quality earnings is on track and well advanced.

Today I would like to take you through the highlights of 2014: A year of building for growth. I'd like to update you on the progress we have made in returning the core SMB business to growth, the ongoing development of our SMB solutions business, the continued momentum in Enterprise Services, and the progress we are making with the integration of MIT and NRG. Then I'll discuss the outlook for the 2015 year.

First, 2014 was a significant, busy and productive year for Melbourne IT. As one investor recently said of us, "we are a company on the move". We acquired Netregistry in March last year. This provided expertise, scale and a robust platform for growth. Martin Mercer, our Managing Director, joined us in April. Martin has engineered and led the strategic, cultural, operational and financial improvement across our business. We cemented the Tiger Pistol Alliance in November broadening our social media offering and at the same time we gained AWS Premier Consulting Partner status. We are one of only 28 companies in the world to achieve this level of recognition. Notwithstanding these achievements we also made significant progress in integrating Netregistry and realising the cost synergies.

Melbourne IT has a commitment to delivering improved financial results and has made solid progress on this front. There is more we can do as we continue to execute well. Some of the financial highlights in 2014 included:

- Revenues grew by 21% for the year ended 2014, driven by strong organic growth in Enterprise Services and the contribution from NRG.
- Reported EBITDA was up 121% to \$12.8M.
- Underlying EBITDA was up 181% to \$16.3M.
- Normalised NPAT, adjusting for the once off impairment and transaction costs arising from the acquisition of Netregistry, increased by 27% to \$7.9m.
- Normalised EPS increased by 17% to 8.72 cents per share.

- We delivered strong growth in free cash flow, an important metric for us. This turned from a negative \$0.3m in FY13 to a positive \$9.4m in 2014.
- We closed the year with net cash of \$18.1m and no debt.
- Following these sound results, we declared a final dividend of 4 cents per share, franked at 80%, taking the total dividend for the year to 5 cents per share.
- Moreover, over the past eighteen months the company has returned some 84 cents per share to shareholders via capital returns and dividends.

Significantly, the Company moved beyond the initial turnaround phase of the previous year with growth in both SMB Solutions and Enterprise Services. This is encouraging and shows the momentum that is building in your company.

It's important though, to look at the "cause" of this growth as well as the "effect", that is, the results scorecard. It starts with our vision. Our vision is to position Melbourne IT as the "go to" company that enables our customers to be successful online. We are the designers, the engineers, and the operators of the most effective online solutions. This positioning, and these capabilities and services form the bedrock of a profitable, growing and sustainable business that can deliver significant rewards for shareholders.

The most important part of that vision is our focus on our "customers". Arguably the most important improvement in the company during 2014 has been the rapid improvement in our customer satisfaction metric – the Net Promoter Score. In the 8 months from May to the end of 2014 we delivered a 36 point improvement in our Net Promoter Score. This rate of improvement is almost unprecedented. There has been a tremendous focus and effort across the organisation to deliver that improvement and the Board and Management recognise and appreciate this.

Since year-end we have also acquired the cloud services provider UberGlobal Group. We take a very considered, careful and disciplined approach to allocating capital and I am pleased to say that this acquisition, although clearly in its early days, already looks good. The benefits of this acquisition include:

1. It will generate revenue of \$15m, and normalised EBITDA of ~\$2.0m, in the 30 June 2015 year
2. The acquisition delivers economies of scale and further strengthens our core domains and hosting business
3. It presents significant opportunity for synergy benefits with an anticipated \$2.5m of annualised savings to be extracted in 2017
4. It provides MIT with a physical presence in Canberra and increased access to a government client base
5. It delivers to MIT 70,000 additional SMB customers to whom we can cross-sell our solutions offerings, and

6. It is EPS accretive in year 1.

Given the growing momentum across our business, we have four key priorities for 2015 that underpin a profitable and sustainable business:

1. Realising the integration synergies.

I am pleased to confirm that the integration of MIT and NRG is on target to achieve \$7.5m pa of synergy savings by the close of 2016. Uber should add a further \$2.5m of savings in 2017.

2. Arresting the revenue decline in SMB and returning the business to growth.

In short, we are very encouraged by the growth in sales of the core “.com.au” domain, and the key drivers of shareholder value are moving in the right direction.

3. Building a solutions driven business.

Our embryonic business providing managed digital solutions to small business is showing pleasing and growing momentum

4. The continued development of ES managed services.

ES is a good business where arguably the quality of our customer base exceeds our market capitalisation. We deliver high quality managed services solutions to customers such as Foxtel, the NRL and Domino’s Pizza. We are proud of the support we provide to customers such as these and we look forward to continuing growth and success in this business.

In Martin’s presentation, he will talk about these four priorities and the progress we are making in more detail.

Together with our focus on these key priorities, we have a similarly intense focus on developing our people, and driving further improvements in customer experience. We are confident 2015 will deliver even better results.

Given the solid platform and disciplined accretive acquisitions we are well placed to increase sales, ARPU and profitability.

Melbourne IT is evolving into a solutions led business with higher quality earnings. We have successfully delivered two major acquisitions in a twelve month period. We have positioned the company in growing markets with a broader, more compelling customer offer. We are improving staff engagement and customer satisfaction. We have set very clear strategic priorities. And as we continue to execute well, we will drive further growth and profitability. We remain focussed on delivering strong free cash flows and enhancing returns to shareholders.

This time last year I welcomed a new CEO, Martin Mercer, to lead your business through this new chapter. Martin has made great progress in integrating Melbourne IT and Netregistry and he has assembled a high quality leadership team with the necessary skills and experience to navigate through a complex period of change. It is a team that has the skills and experience for today and also for a quite different future.

With the excellent new leadership team in place, a clear strategy, and a continually changing environment, we need to ensure the Board has the skills, experience, leadership and fresh eyes to support this team. To this end, we have commenced a formal process to refresh the Board and I anticipate that this will culminate in changes to the composition of the Board in the near future. You will, of course, have the opportunity to endorse the changes that emerge out of this process.

I would like to thank the Board of Melbourne IT for the guidance and support given during the year. We have passed through a number of key milestones during 2014 as we continued with our transformation journey.

The major acquisitions, integration and drive to grow both the SMB and Enterprise Services divisions have demanded considerable efforts from our people. On behalf of the Board, I would like to thank the Management Team and all staff of Melbourne IT Group for their hard work and commitment, which enabled the Company to achieve the sound financial results for 2014 and lay the foundation to continue to deliver shareholder value.

We also welcome the new addition to our Group, the management and all staff of Uber Global.

I would also like to express our appreciation to you, our shareholders, for your continued support. Many of you have been with Melbourne IT from the beginning and we hope you remain part of this Company.

I look forward to the next exciting chapter in the Melbourne IT story and its evolution into a successful solutions led business.

Thank you.

ENDS

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CEO's Address

Martin Mercer



MELBOURNE **IT** GROUP

VISION & STRATEGY

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

Everything MIT does *enables* our customers to be successful online.

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

Transforming MIT into a growing *solution led business* with higher quality earnings.

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

COMPANY OVERVIEW

WHO WE ARE	OUR MODEL	OUR CAPABILITIES	GROWTH LEVERS
Australia's largest online solutions company with 19 years experience	Online retail website sales for domains and hosting	6th largest domain name registrar in the world with connections to most major global domain registries	Return SMB to growth. Drive new customer acquisition through increasing market share and access to 6% growth in the domain name market
Provide domain names, and web/email hosting, to more than 500,000 small businesses. Addition of a further 70,000+ customers with Uber	Network of more than 10,000 resellers of domains and hosting	Proprietary platform for integrating many online suppliers to create solutions	Build a Solutions business with higher quality earnings. Drive higher ARPU solutions into existing customer base and directly acquire new solutions customers
Provide managed web design, social media and digital marketing solutions to small businesses	Call centres in Australia and Manila to sell solutions to new and existing SMB customers	Scalable web design and social media management solutions	Moving beyond PC/web environments – towards mobile applications and social media
Provide managed cloud solutions that increase innovation rates and agility for large Enterprise & Gov't organisations	Professional Services practices, 24x 7 managed services, field sales offices in Brisbane, Sydney, Melbourne & Canberra	Amazon Web Services Premier Consulting Partner Microsoft Gold Partner More than 200 Enterprise and Gov't customers	Build momentum in ES with recurring managed services revenues. Access growth in the public cloud market through new customer acquisition & growth

STRATEGIC PRIORITIES & OUTLOOK

FOUR KEY PRIORITIES

- 1. Realising integration synergies.** Well advanced and on track.
 - 2. Arresting revenue decline in SMB and returning the business to growth.** “.COM.AU” sales, DIFM web design & social marketing are key metrics.
 - 3. Continued development of the ‘solutions’ segment.** Market 4x larger than MLBs original components market. Investing for growth: \$2m in sales and marketing in FY15, attractive pay back in FY16/17.
 - 4. Continued development of ES managed services,** managed services revenue now growing faster than the decline in traditional infrastructure revenues
-

Expect to realise 5% & 10% earnings growth in the core

FY2015 

Focus on developing the quality of our people and improving customer service.

\$3M INVESTMENT

In FY15 in capability (\$2M) & pay rise for critical staff (\$1M)

INTEGRATION WELL ADVANCED & ON TRACK

- Integration of MIT and NRG on target to achieve \$7.5M pa of synergy savings by close of 2016.
- Incremental \$4.1M in FY15 before \$1.5M of implementation costs.
- Uber savings add a further \$2.5M in 2017

STRATEGIC PRIORITY	PROGRESS REPORT	NEXT STEPS
QUICK WINS	Cost savings focussed on 3 rd party suppliers and are largely complete	Finalise in FY15 as final contract commitments are unwound
REVENUE SYNERGIES	Commenced cross selling new products to legacy customers	Continue process in FY15 Leverage customer base for roll out of Solutions products
LEADERSHIP TEAM	New Executive Leadership Team was put in place over FY14	Continue to build bench strength in the business as it scales
CUSTOMER MIGRATION	Customer migration commenced in August FY14 and has been progressing well	Continue with customer migration Bulk of migration to be completed by end of FY15 ¹
TECHNICAL CONSOLIDATION	Planning and execution of platform consolidation commenced in FY14 with consolidation of MEX platforms completed	Further platform consolidation completed in FY15 to enable move to single customer facing system
BACK OFFICE CONSOLIDATION	Finance and Payroll consolidated in FY14	Continued process and administration consolidation in FY15

1. The integration of Uber may mean that elements of the original MIT/NRG integration plan could be rephrased. Any rephrasing will not negatively impact the realisation of forecast synergies.

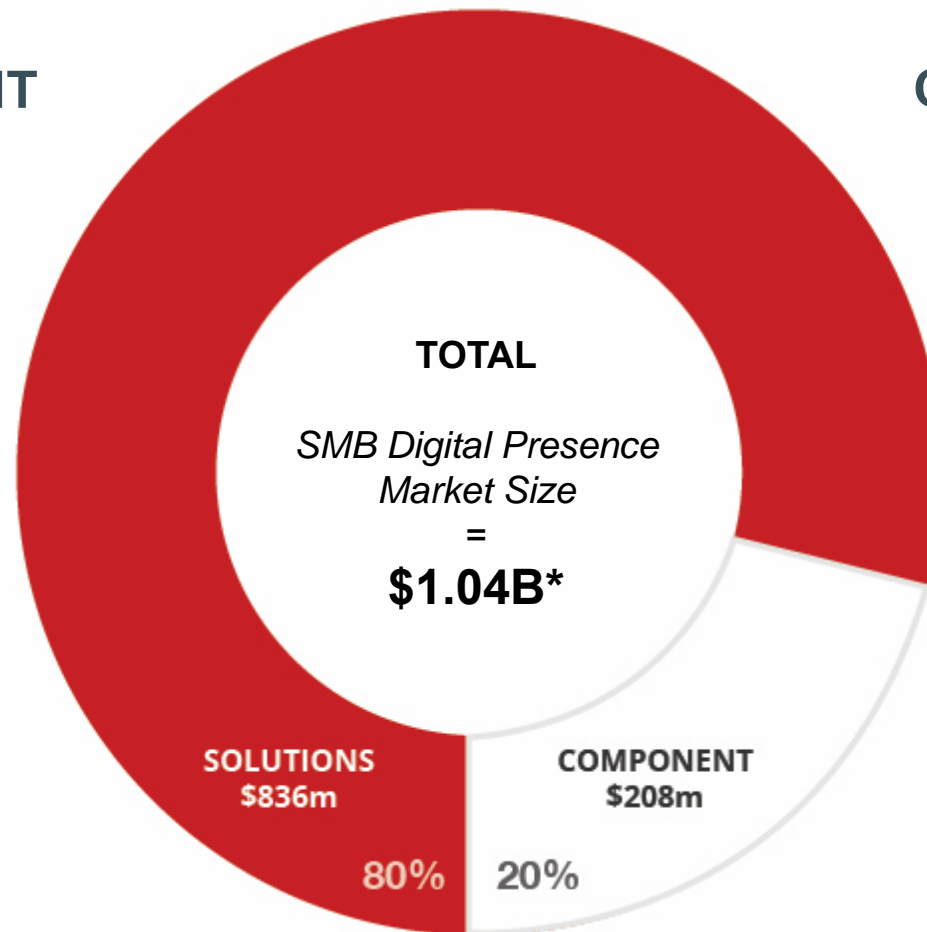
SMB - LONG TERM STRATEGY

SOLUTIONS SEGMENT

- Customers prepared to pay for solutions
- Local support for do-it-for-me proposition
- Highly fragmented market with no major competitor in Australia

COMPONENTS SEGMENT

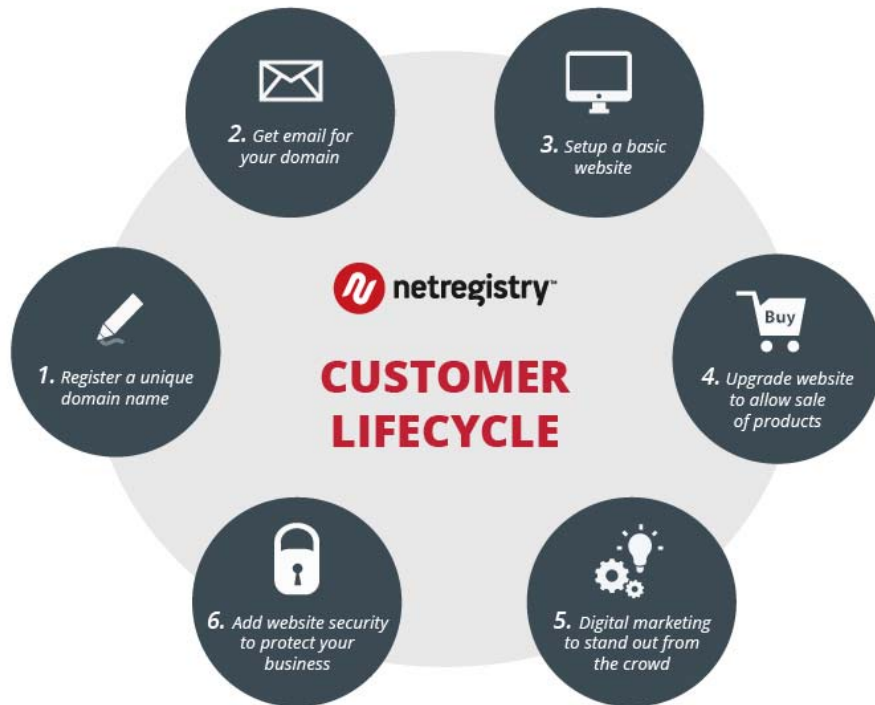
- Domains, web hosting and email are key components for SMBs but account for only 20% of market by value
- MIT No.1 in Australian market but highly competitive with large competitors driving commoditisation



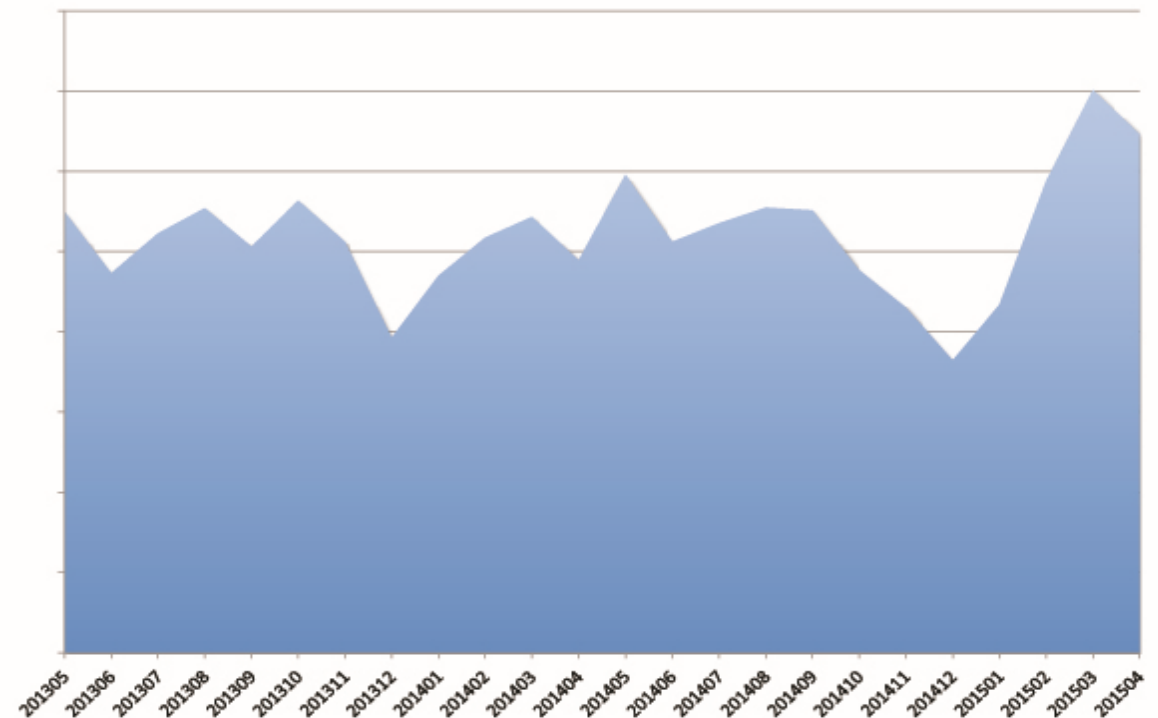
■ SOLUTIONS
□ COMPONENTS

*MIT analysis
Market size 2014

SMB – GROWTH IN THE CORE



NETREGISTRY NEW CUSTOMER ACQUISITION

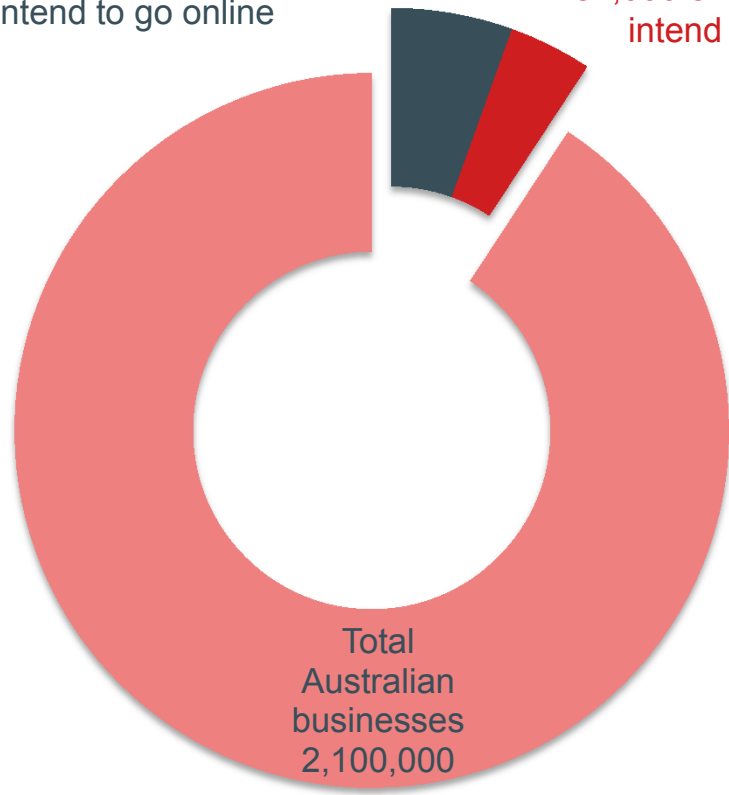


* December is a seasonal low point in the year

SMB – GROWTH FROM SOLUTIONS

127,000 new businesses
intend to go online

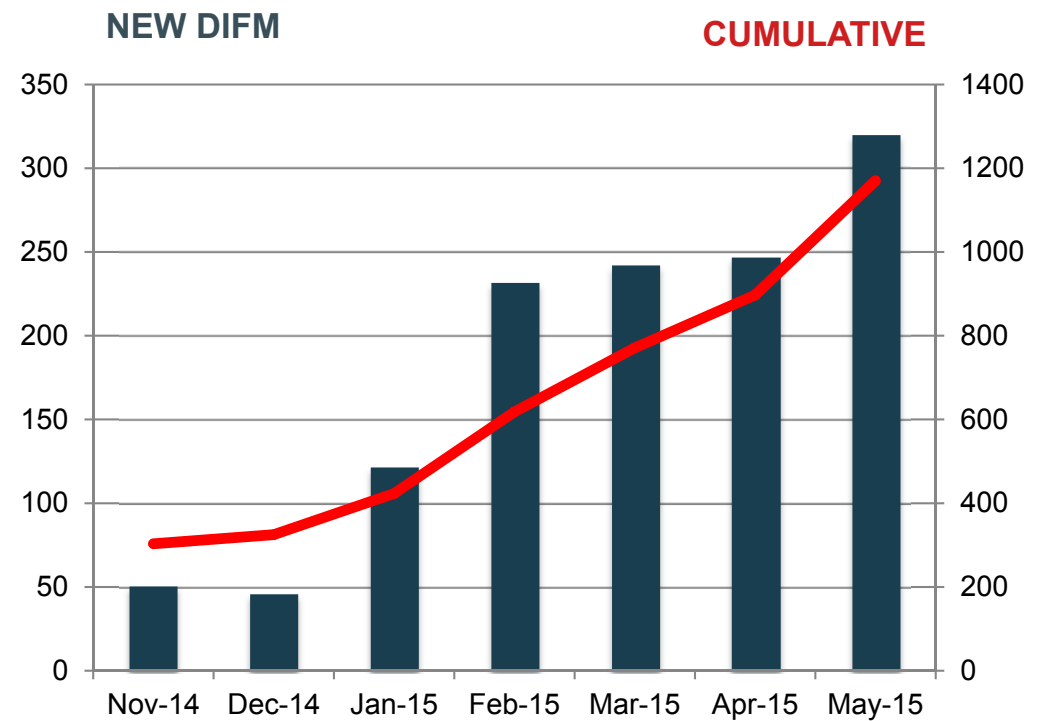
87,000 existing business
intend to go online



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

* Source: Australian Bureau of Statistics 2014

DO IT FOR ME WEBSITE UNITS TO DATE



*Expected end of month May figures based on 14th May

ENTERPRISE SERVICES

- Focus on solutions that increase agility and innovation rates for organisations
- Large Enterprise and Government customer portfolio
- **Cloud Solutions Practice**
 - Amazon Web Services Premier Partner
 - Data centre migration solutions
 - Security solutions
- **Application Solutions Practice**
 - Software engineering skills
 - Microsoft Gold Partner
 - .Net and Java Skills
- **Proactive** ongoing 24x7x365 managed services
 - DevOps skills
 - Automation and tool kits

ENTERPRISE CLOUD SOLUTIONS



CLOUD SERVICES

Shift your business focus to growth



SECURITY SERVICES

Don't become tomorrow's headline

DESIGN - BUILD - OPERATE



WEB & DIGITAL SERVICES

Better experiences = higher engagement

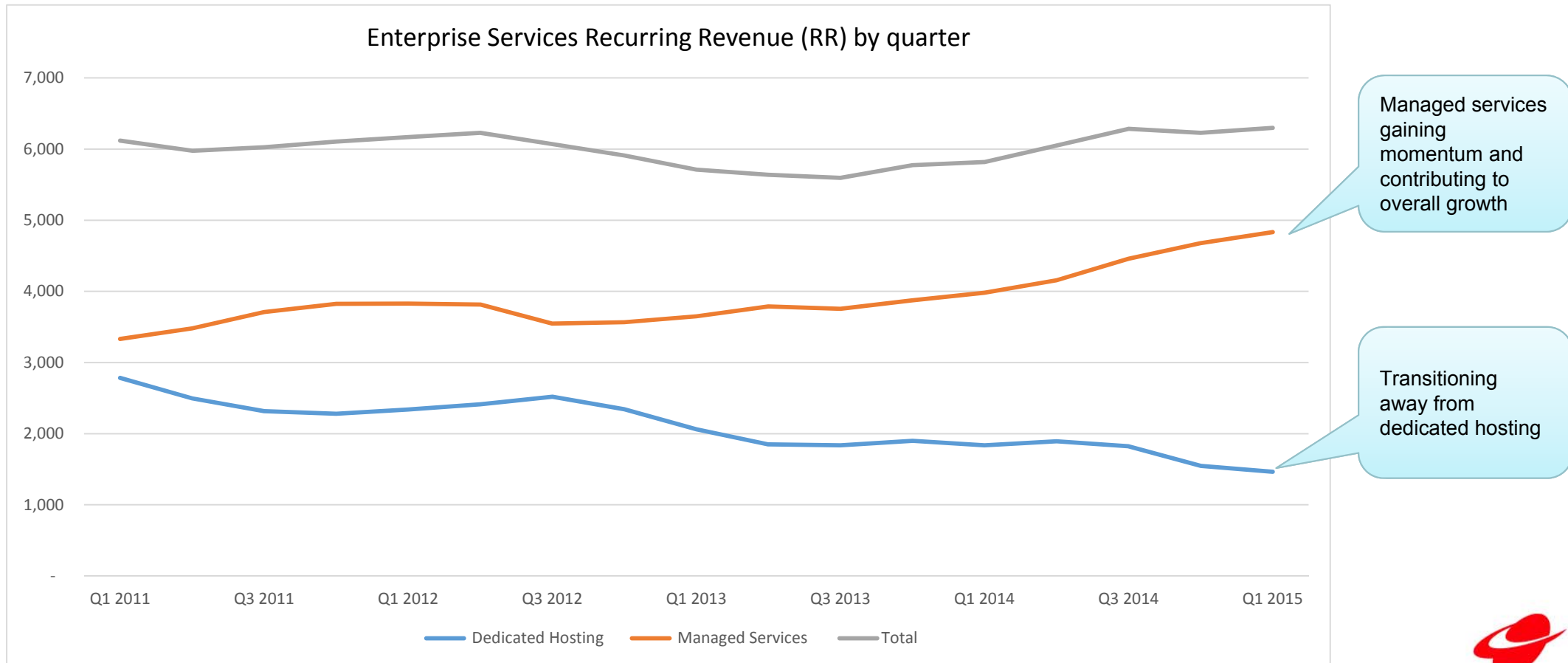


APPLICATION SERVICES

Gear up your application performance

ENTERPRISE SERVICES - RR TRENDS BY PRODUCT

- **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**



STRATEGIC PRIORITIES & OUTLOOK

Solid Performance in FY14, rebuilding the Group for growth and higher quality earnings. We expect to realise between 5% & 10% earnings growth in the core business in FY15.

Focus on realising integration synergies, incremental \$4.1m* in FY15

Continued development of SMB solutions, \$2m investment in sales and marketing in FY15 with an attractive pay back in FY16-17

Developing the quality of our people, \$3m investment in FY15 in capability (\$2m) and a pay rise for critical staff (\$1m)

Continued development of ES managed services, managed services revenue now growing faster than the decline in traditional infrastructure revenues

** Before \$1.5m of implementation costs.*