

ASX Announcement

Melbourne IT Ltd (ASX: MLB)

1 May 2017

Acquisition of WME Group and \$30.7 million fully underwritten capital raising

Transaction Highlights

- Acquisition of WME Group is expected to generate EPS accretion of 12% to 18%
- Expected positive impact of approximately \$6.5 million to \$7.5 million (before synergies) on FY17 underlying EBITDA
- Underwritten rights issue raising \$30.7m and \$9m of debt to fund the acquisition
- The acquisition will position MLB as a market leader in the high growth online marketing solutions segment for small and medium businesses
- WME Group expected to accelerate MLB's growth in average revenue per user (ARPU) through enhanced cross sell and customer retention

Melbourne IT Limited (**MLB** or **Melbourne IT**) is pleased to announce the proposed acquisition of 100% of WME Group for approximately \$39 million (**Proposed Acquisition**). WME Group is a leading provider of end-to-end digital marketing solutions including search engine optimisation, search engine advertising and web design. WME Group's market-facing brands include WME, Nothing But Web and Results First.

The combination of Melbourne IT and WME Group delivers a compelling customer value proposition and is expected to deliver significant benefits through scale and scope. The Proposed Acquisition further strengthens MLB's managed marketing capabilities and positions Melbourne IT as market leader in online marketing solutions for small and medium sized businesses (**SMB**), one of the fastest-growing segments of the technology industry.

The Proposed Acquisition will be funded from a combination of debt of approximately \$9 million and a fully underwritten \$30.7 million accelerated non-renounceable rights offer of 1 share for every existing 7 shares at an issue price of \$2.10. The Proposed Acquisition is expected to have a positive impact of approximately \$6.5 million to \$7.5 million (before synergies) on FY17 underlying EBITDA. EPS accretion (before synergies) of between 12% and 18% are expected in FY17.

Martin Mercer, CEO of MLB said, "The Melbourne IT of today is almost unrecognisable from the Melbourne IT of three years ago. This acquisition will build on the success we have experienced to date in providing managed marketing solutions for small businesses".

“WME Group is a logical and strong strategic fit with MLB, where managed marketing solutions are now the growth engine for our SMB division. We expect this powerful combination will enable us to grow ARPU at faster rates through enhanced cross sell and customer retention, as well as boost critical capability in search engine optimisation solutions and advanced customer account management,” he added.

Emma Hunt, Managing Director of the SMB division, said, “Australian small businesses are looking for a trusted partner to help them create an online presence, and then grow and thrive in this increasingly complex digital environment. With the capability that WME Group provides, Melbourne IT is now unequivocally that trusted partner. The acquisition clearly aligns with MLB’s strategy of transitioning our SMB organisation into the leading digital solutions partner for small and medium businesses.”

WME Group has offices in Melbourne and Auckland, New Zealand. WME Group has received numerous awards for growth and innovation, including being voted one of the top 100 coolest places to work in Australia.

Key management of WME Group will remain with the business.

Previous Acquisitions

The Proposed Acquisition follows previous successful acquisitions in Melbourne IT’s Enterprise Services division, namely the acquisition of Outware Systems which completed in February 2017 for \$57.84 million and, the acquisition of Infoready in March 2016 for \$15.4 million. These two acquisitions complete Melbourne IT Enterprise Services’ expertise across the foundational technologies of mobile, data and analytics, cloud and security. This expertise, and Melbourne IT’s ability to combine these foundational technologies into solutions, sets it apart as a leading digital technology partner for the enterprise market.

Capital raising

The Proposed Acquisition will be partly funded by a \$30.7 million fully underwritten 1 for 7 accelerated non-renounceable rights issue (**Entitlement Offer**).

The Entitlement Offer will consist of:

- an accelerated institutional component that will be conducted today and tomorrow (**Institutional Entitlement Offer**); and
- a retail component which will open on 8 May 2017 and close at 5.00pm (AEST) on 18 May 2017 (**Retail Entitlement Offer**).

Shares offered under the Entitlement Offer (**New Shares**) will be issued at a price of A\$2.10 per New Share (**Offer Price**). The Offer Price represents a:

- 2.0% discount to the theoretical ex-raising price (**TERP**)¹;
- 2.3% discount to the last traded price of \$2.15 on 28 April 2017; and
- 4.2% discount to the 5 day volume weighted average price of \$2.19 to 28 April 2017.

The New Shares will rank equally with existing ordinary shares. The Entitlement Offer is non-renounceable and rights will not be traded on the ASX or otherwise transferable. Eligible shareholders who do not take up their entitlement under the Entitlement Offer, in full or part, will not receive any value in respect of those entitlements not taken up.

The Entitlement Offer is fully underwritten by Bell Potter Securities Limited and Wilsons Corporate Finance Limited.

Institutional Entitlement Offer

The Institutional Entitlement Offer opens on 1 May 2017 and closes on 2 May 2017.

Entitlements not taken up under the Institutional Entitlement Offer or attributable to shareholders that were not entitled to participate in the Institutional Entitlement Offer will be offered to eligible institutional investors (including institutional shareholders who have subscribed for their Entitlements) concurrently with the Institutional Entitlement Offer and Institutional Placement.

Retail Entitlement Offer

The Retail Entitlement Offer opens on 8 May 2017 and closes at 5.00pm (AEST) on 18 May 2017. Only those retail shareholders with registered addresses in Australia and New Zealand (**Eligible Retail Shareholders**) will be eligible to participate in the Retail Entitlement Offer.

Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer should carefully read the retail offer booklet and accompanying personalised entitlement and acceptance form, which are expected to be despatched on 8 May 2017. Copies of the retail offer booklet will also be available on the Company's ASX announcements platform. MLB reserves the right to allot and issue any shortfall shares at its discretion. Institutional investors may also apply for shares available under any retail shortfall.

¹ The closing price on 28 April 2017 was \$2.15 per share. TERP is the theoretical price at which shares in MLB should trade immediately after the ex-date of the Entitlement Offer and reflects shares issued under the Offer. The actual price at which MLB shares trade will depend on many factors and may not be equal to TERP.

Timetable

Event	Date
Commencement of trading halt	1 May 2017
Institutional Entitlement Offer opens	2 May 2017
Institutional Entitlement Offer closes	2 May 2017
Institutional shortfall bookbuild	2 May 2017
Existing shares resume trading on an ex-entitlement basis	3 May 2017
Record Date for Entitlement Offer (7.00pm AEST)	3 May 2017
Retail Entitlement Offer opens	8 May 2017
Dispatch of Retail Offer Booklet	8 May 2017
Institutional Entitlement Offer Settlement	10 May 2017
Issue and quotation of New Shares issued under the Institutional Entitlement Offer	11 May 2017
Retail Entitlement Offer closes (5.00pm AEST)	18 May 2017
Announce results of Retail Entitlement Offer and retail shortfall bookbuild	23 May 2017
Settlement of Retail Entitlement Offer	24 May 2017
Issue of New Shares under the Retail Entitlement Offer	25 May 2017
New Shares under the Retail Entitlement Offer commence trading on ASX	26 May 2017

The above timetable is indicative only and subject to change without notice. All references to time are to Australian Eastern Standard Time. The commencement of quotation of New Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, MLB reserves the right to amend this timetable at any time, including extending the Retail Entitlement Offer period or accepting late applications, either generally or in particular cases, without notice.

Investor Teleconference

MLB will hold an investor teleconference at **10am tomorrow, Tuesday 2nd May**, with CEO, Martin Mercer, and CFO, Stuart Bland.

The live audio webcast of the teleconference can be accessed via this URL link <http://www.openbriefing.com/OB/2499.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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About Melbourne IT

Melbourne IT Group is a publicly listed company with offices in Melbourne, Sydney, and Brisbane. Our purpose is to “fuel our customers’ success through the smart use of technology”. We aspire to be Australia’s most impactful digital technology partner. 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 operates two businesses marketed under 7 brands.

The SMB of Melbourne IT provides Australian small and medium businesses with online marketing solutions. It has over 450,000 direct customers, provides services to over 700,000 Australian businesses, and generates revenue over \$90M. The SMB business operates under five brands: Melbourne IT, WebCentral, Netregistry, and TPP brands and Domainz.

The Enterprise Services Business (ES) of Melbourne IT is the leading end-to-end provider of digital solutions for the corporate and government market with revenues over \$70M. ES have expertise in customer-focused design, software engineering, data analysis and management of flexible digital solutions across foundational technologies: Mobile, Data and Analytics, Cloud and Security. ES is based in Sydney, Melbourne and Brisbane and has a blue chip customer base. It operates under three brands, Melbourne IT, Infoready and Outware.

Visit: www.melbourneit.com.au

Important Information*Important Notices*

This announcement is not a financial product or investment advice, a recommendation to acquire shares or financial, accounting, legal or tax advice. The information in this announcement does not contain all the information necessary to fully evaluate an investment. It should be read in conjunction with the other materials lodged with ASX in relation to the Proposed Acquisition and Entitlement Offer (including the investor presentation and the key risks set out therein), and MLB’s other periodic and continuous disclosure announcements. This announcement has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the information in this announcement and in the investor presentation in relation to the Proposed Acquisition and Entitlement Offer having regard to their own objectives, financial and tax situation and needs, and should seek legal, tax and other professional advice. MLB is not licensed to provide financial product advice in respect of an investment in shares.

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Forward-looking statements

Certain statements in this ASX announcement may contain forward-looking statements including indications of, and guidance on, future earnings, financial position and performance. Such forward-looking statements, opinions, and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about the market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, opinions and estimates are not guarantees of future performance and involve unknown risks, uncertainties and other factors, many of which are beyond control of MLB and which may cause actual results to differ materially from those statements. Neither MLB, nor any of its directors, employees, advisers or agents assume any obligation to update such information. Forward looking statements, including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement contains statements are subject to certain risks and uncertainties, particularly those risks or uncertainties inherent to the industries in which MLB operates.