

## ASX ANNOUNCEMENT

### MELBOURNE IT ANNOUNCES UPDATE RE STRATEGIC REVIEW OF GROUP AND FULL YEAR GUIDANCE

- Strategic review process to unlock value
- Update to full year 2012 guidance

**Melbourne, 26 November 2012** – Melbourne IT (ASX: MLB) today announced that it is in the process of pursuing possible ownership alternatives for its current portfolio of businesses following a review of its corporate structure. Melbourne IT also has updated its profit guidance based on operating performance to-date in the second half of 2012.

#### Update to Full Year 2012 Guidance

Melbourne IT is experiencing disappointing trading results and a number of new opportunities that were expected to come through in the second half of 2012 are delayed and are now not expected to materialise until 2013.

Aggressive competitor activity especially on pricing is contributing to declining results in its SMB eBusiness Solutions (SMB) segment. The ForTheRecord (FTR) division has been impacted by significant reductions and 'holds' in US Federal and State Government spending. FTR's profitability is generally determined by a small number of large transactions each year.

The Enterprise Services (ES) division is expected to perform better than last year. However, Queensland Government budget cuts and general tightening of business spending are impacting the hosting segment, delaying some anticipated projects. The Digital Brand Services (DBS) division also continues to perform strongly, but the delays in ICANN's rollout of its new gTLD program and the correlating changes to the new naming system until 2013 have curtailed its growth expectations in 2012 to more modest levels.

As a result of this, Melbourne IT's full year 2012 EBIT is likely to be lower than 2011 EBIT by approximately 10%. This is primarily due to the ongoing volatility in the FTR division. The full year 2012 EBIT from the combined core businesses of DBS, SMB/GPS and ES is expected to be broadly in line with 2011 results. Consolidated net profit after tax will be close to 2011.

After the end of the year, the Board will, as part of its standard end of year processes, review the goodwill value of the FTR division and potentially this could lead to an impairment to this value in the final accounts.

Management has also been monitoring closely the performance of the transformation rollout and whilst the cost of the project remains within the forecast provided in August 2012, expected completion is now likely to occur late in 2013. Although some cost saving benefits will accrue through 2013, the full benefits from this transformation rollout will only be achieved from 2014.

Despite the current challenges, the Board believes that recent changes to the leadership of each of our business divisions, coupled with a sustainable lower cost base, and impending industry changes resulting from ICANN's new gTLD program, will all contribute to growth in revenue and profit from 2013, particularly for DBS.

#### Strategic Review

Notwithstanding the Board's view on growth and the continued opportunities for the business, the Board has undertaken a review of the corporate structure of Melbourne IT and the portfolio of businesses it

owns. This review has highlighted that the value of Melbourne IT's businesses is not being adequately recognised by the market today and that significant value may be unlocked for Melbourne IT shareholders by pursuing possible different ownership alternatives in relation to these businesses.

The Board therefore proposes to hold further discussions with a number of parties, primarily large offshore organisations, who have previously indicated interest in potentially acquiring one or more divisions of our Company.

Our belief is that by undertaking a formal strategic review, shareholders will benefit from unlocking the intrinsic value of our businesses, customers will benefit from more focused execution and operations, and staff will benefit through increased investment specific to the needs of each business division and its customers.

Lazard and King&Wood Mallesons have been appointed as Melbourne IT's financial and legal advisers, respectively, with respect to this strategic review.

Melbourne IT remains optimistic about the long-term fundamentals of its business and its growth prospects and the Board is focused on ensuring that Melbourne IT has the best structure to maximise the value achieved for its shareholders.

**ENDS.**

#### **About Melbourne IT**

Melbourne IT (ASX: MLB) helps organisations of all sizes to successfully do business online. Our complete portfolio of Internet-based technology services drives business effectiveness and profitability for more than 350,000 customers around the world.

The breadth of Melbourne IT's offering extends from helping small businesses build an online presence through to managing the complex technology environments of large enterprises and governments – including Internet domain name services, web hosting, online brand protection and promotion, video content delivery, managed IT services and more.

Melbourne IT's culture of integrity, innovation, collaboration and customer centricity has been built by more than 650 employees spread across 18 offices in 10 countries. For more information, visit [www.melbourneit.info](http://www.melbourneit.info)

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