



31 May 2018

ARQ GROUP (ASX: MLB)

Payment of Second Earn-out Payment to the Vendors of InfoReady Pty Ltd

Arq Group has today paid \$5.67m to the vendors of InfoReady Pty Ltd (InfoReady) in relation to the second earn-out period of the acquisition of InfoReady (the acquisition completed on 31 March 2016). In accordance with the Sale and Purchase Agreement, the vendors are eligible for an earn-out payment where the year-on-year growth in EBITDA exceeds 20%. For the second earn-out period, being the 12 months ended 31 March 2018, InfoReady's EBITDA grew by 39%.

The Group's 2017 full year investor presentation, released to the ASX on 21 February 2018, included a table presenting the known underlying adjustments taken into account in determining underlying EBITDA. This table has now been updated to reflect the additional charge of \$3.39m being recognised in the Profit and Loss Statement to reflect the true up of the existing earnout provision to the amount payable. The updated table is attached to this announcement.

This has no impact on the Group's guidance for underlying EBITDA for 2018.

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About Arq Group

Arq Group, previously Melbourne IT Group, is Australia's leading digital solutions partner.

Arq Group is the dynamic space for smart thinkers. Creating unforgettable experiences, solving complex challenges, and providing seamless, end-to-end solutions – from design thinking to customer solutions, leading mobile, cloud and analytical insights, digital marketing to web design - Arq Group powers the growth of businesses, big and small.

Founded in 1996, Arq Group has evolved from the leading Australian domains and hosting business to a leading digital services partner. Today, the company builds and manages innovative channels to market for many of the country's largest enterprises, whilst simultaneously supporting half a million small businesses throughout their online journey.

Arq Group currently has approximately 850 employees, and offices in Melbourne, Sydney, Brisbane and Auckland.

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Outlook: 2018 Underlying Adjustments

Year Ending 31 December 2018	Amount	Segment	Notes
Adjustments to calculate Underlying EBITDA*			
1. Brand Costs	\$4.4m	Corp	One-off costs incurred in rebranding
2. Integration costs	\$2.3m	SMB/Corp	One-off cost of integrating acquired businesses
3. InfoReady contingent consideration liability reassessment	\$3.4m	Corp	Liability for the third earn-out payment (due in May 2019) will be reassessed at the end of 2018
Adjustments to calculate Underlying NPAT*			
1. Amortisation of marketing related intangibles	\$5.3m		Accelerated amortisation of the WebCentral brand intangible as a result of the re-branding

* This is not an exhaustive list of possible adjustments, it is an estimation of the major items that we have visibility of now.