

Dreamscape Networks transitions to a South East Asian online solutions provider

22 February 2018, Perth: Dreamscape Networks Limited (ASX: DN8) announces its results for the six months ended 31 December 2017 (H1 FY18). The first half has seen the Company continue its transition from a low-cost domain name provider in Australia, into a premium South East Asian online solutions provider.

H1 FY18 performance (vs H1 FY17):

- Revenue up 30% to \$29.3 million
- Bookings up 17% to \$29.9 million
- Adjusted EBITDA¹ of \$3.2 million
- Net profit after tax of \$752,000

Operational progress executing the Company's South East Asian growth strategy

- Acquired Vodien Group, now Singapore's #1 .sg Domain and Hosting provider
- Acquired Australian bolt-on Enetica Group to expand Dreamscape's domestic Hosting presence
- Premium level customer support continues to improve – the technical support centre achieving record results with customer satisfaction consistently above 92%
- New Group headquarters commissioned in Singapore to underpin South East Asia growth
- Integration of acquired businesses, rationalization of offices, and restructure of resourcing commenced
- Investment and expansion of the underlying business into new high growth markets in South East Asia.

Commenting on the H1 FY18 results, CEO & Managing Director Mark Evans said: "Dreamscape's first-half results reflected a period of substantial transition. While the financial result was lower than anticipated, the Company is profitable, generating positive cash flows, and absolutely committed to its focused South East Asian core growth strategy, which is the right strategy to drive long term growth in shareholder value.

"The Crazy Domains brand in Australia continued to increase its total .au domain market share, despite weak market conditions in the first half, and remains Australia's number 1 domain brand. Underpinning our core South East Asian growth strategy, Vodien Internet Solutions performed very strongly since its acquisition in July 2017, and is now the number 1 .sg domain name [was number 3 at acquisition] and number 1 hosting provider. The strong performance of Vodien under Dreamscape's ownership, and the benefits that will be translated across other parts of the Company, highlight the strength of Dreamscape's core South East Asian growth strategy."

Underpinning Dreamscape's 30% growth in revenue to \$29.3 million were the three acquisitions undertaken in 2017. The lower EBITDA and net profit for H1 FY18 reflected:

- Strategic investment of \$2.9 million in incremental marketing and personnel costs to support the Company's long-term expansion into new high growth markets in South East Asia
- Flat market conditions in Australia, with industry growth flat over H1 FY18 despite low single-digit expectations. Bookings were lower than anticipated, but in line with the overall market performance.

(1) A Non-IFRS cash-based financial measure of DN8's performance that aligns with the Group's Bookings and operating expenditures to evaluate the core operating profitability of the Group's business. Adjusted EBITDA is calculated using the Statutory EBITDA calculation, primarily adjusted for the change in deferred revenue so as to include total Bookings, the change in the deferred costs associated with the total Bookings, and excluding the non-cash equity-based expenses including share-based compensation and Unrealised Foreign currency exchange losses/gains and transaction expenses and non-core one off expenses (see Appendix 4D for further disclosure).

Strong balance sheet with funding to support growth strategy

At 31 December 2017, Dreamscape had net cash and undrawn debt capacity of \$11.7 million. With a strong balance sheet, available debt facilities and growing cash flows, the Company is well placed to continue pursuing its growth strategy.

All recent acquisitions will be fully integrated by 30 June 2018

A detailed integration plan is in place to ensure the maximum value from the acquisitions undertaken can be generated for shareholders. Total annualised savings of approximately \$1.2 million are expected to be generated from FY19 (at a one-off restructuring cost of \$1.0 million to be incurred in FY18):

- Rationalising Enetica's and Quadra's Data Centers into Dreamscape's Sydney facility
- Streamlining operations into the Company's new Singapore headquarters, and closing the Perth and Dubai offices as well as the Indian support centre
- Restructuring team resources in line with the office closures.

Rebasing the Company's operations to Singapore reinforces Dreamscape's core South East Asian growth strategy – to become the leading trusted and affordable online solutions provider in this region.

Outlook for H2 FY18

Commenting on the outlook for H2 FY18, Mr Evans said that he expected to see a continuation of the two speed markets.

"While the Australian market will likely remain flat, our Crazy Domains brand will continue to maintain market share. We see the 59% of small businesses that do not currently have an online presence as a key opportunity that plays to our natural strength as a total online solutions provider. With three acquisitions completed in Australia over the past 12 months, our focus is to successfully integrate the businesses before financial year end.

"We expect Vodien to continue its strong growth, given South East Asia is the fastest growing internet market globally. Having achieved the number 1 position for .sg domain brands and number 1 for hosting in Singapore, Vodien is performing above our initial expectations under Dreamscape's ownership, and will continue to grow strongly", said Mr Evans.

Based on the Company's performance in H1 FY18 and outlook for H2, Dreamscape expects to generate Adjusted EBITDA in the range of \$7.2 million to \$7.6 million, excluding the one time provision for restructuring noted above of \$1.0 million.

The Company is committed to delivering profitable growth. We are focussed on realising our key restructuring initiatives in the short term and look forward to updating the market on these actions in the next quarter.

For more information, please contact

Investors

Mark Evans – Managing Director & CEO, or
Tony Sparks – Group Finance Director

+61 8 9422 0894

investor.relations@dreamscapenetworks.com

Media

Tristan Everett
Market Eye

+61 403 789 096

tristan.everett@marketeye.com.au



+61 (08) 9422 0894
+61 (08) 9422 0801
info@dreamscapenetworks.com
www.dreamscapenetworks.com

About Dreamscape Networks Limited

Dreamscape Networks Limited is a trusted and affordable online solutions provider of domain names, hosting and technology solutions and owns Australia's #1 domain brand Crazy Domains and Singapore's #1 domain brand and hosting provider Vodien Internet Solutions. The Dreamscape Networks Group offers affordable and easy to use online solutions that help businesses and independents establish, build, maintain and grow their online presence. Our solutions are innovative, user-friendly and engineered across all platforms embracing intuitive design and backed by our focus on best in world premium service.

Vision

To help our customers achieve their online goals by **"Providing simple, innovative and affordable online solutions, that change lives"**
Learn more at dreamscapenetworks.com ; crazydomains.com and vodien.com

Forward looking statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Dreamscape. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.