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ASX Announcement

22 June 2017

DREAMSCAPE NETWORKS TO ACQUIRE VODIEN GROUP TO ACCELERATE SOUTH EAST ASIA GROWTH; REAFFIRMS PROSPECTUS EARNINGS FORECAST

Dreamscape Networks Limited (ASX: DN8) is pleased to announce that it has entered into a binding Terms Sheet to acquire the “Vodien Group”, comprising Vodien Internet Solutions Pte Ltd and all related companies and businesses, for a total consideration of SGD 31.16 million (AUD \$29.67 million).

Vodien Group is a leading Singapore-based hosting and domain services enterprise, with emerging operations in Indonesia and Malaysia. It is the number one hosting provider in Singapore and the number three .sg domain provider.

The Company is also pleased to re-affirm earnings guidance for FY 2017 as set out in the Company’s Prospectus dated 3 November 2016. The forecast earnings are in line with management’s expectations based on unaudited management accounts to date and estimates to 30 June 2017.

Key highlights

- Acquisition to be wholly internally funded through the combination of 42.5 million new DN8 shares issued to the founders of Vodien Group at a deemed issue price of 25 cents per share (31.5% premium to the 20 day VWAP price of DN8 shares) and SGD \$20 million cash (AUD \$19 million based on a AUD/SGD exchange rate of 1.05)
- Vodien Group founders to join DN8 as senior executives, fully committed to the Company’s targeted Asian expansion
- World class hosting facilities and infrastructure ideally located for expansion throughout South East Asia
- Acquisition gives DN8 number one share in Singapore hosting and number 3 of .sg domains (Singapore) with approximately 19% market share, as well as an entry point to Indonesia and Malaysia
- Provides “ready to go” land and expand platform, saving the Company at least three years in establishing a stand-alone operation at an estimated cost to DN8 of +AUD \$13 million over the same period.
- Delivers 10% uplift in high margin hosting customers, and improved ABPU of AUD \$360, compared to DN8’s AUD \$144
- Pro-forma annualised 2017 would add SGD 10.3 million (AUD \$9.8 million) of Bookings and SGD 3.7 million (AUD \$3.5 million) of EBITDA to DN8 – represents over 30% of DN8’s FY17 Prospectus forecast EBITDA
- Debt free cash purchase, with no borrowing required
- Immediately EPS accretive, pre-synergies, from first full year of ownership and immediately accretive to cash flow.

Commenting on the proposed acquisition, Dreamscape Networks' Managing Director & CEO Mark Evans said: "This is a strategically important acquisition for Dreamscape Networks. The leadership team at Vodien Group has substantial knowledge of the local industry, with a strong track record of growth, and will be a great addition to our senior executive team. The culture they have developed and led is a perfect fit for us."

"By acquiring this strong Asian hosting brand, we can leverage its current market position and strong customer awareness to immediately increase our footprint in the South-East Asia region, without the need to establish our own Singapore hub infrastructure. We have a great opportunity to introduce existing customers of both organisations to additional add-on value products and services. This is an exciting development for investors, employees and customers of both organisations, and is consistent with our plan to invest in strategic opportunities that enhance our offer and accelerate growth," added Mr Evans.

Vodien Group CEO Alvin Poh said: "I am delighted that Vodien Group is becoming part of Dreamscape Networks. The two organisations have a very strong culture and business fit, and share a desire to become a leading internet domain and hosting business across Asia. I am looking forward to becoming part of the senior executive team of Dreamscape Networks and working with Mark and the team to deliver on the growth opportunities that we see."

Acquisition overview

Dreamscape Networks will acquire Vodien Internet Solutions Pte Ltd, and its associated trading entities and businesses including– Singhost, IT Works Internet, Webvisions, and sgDomain. Vodien Group was established in 2002 by John Lee (Lee Wen, Jervis) and Alvin Poh (Poh Chun Chiang, Alvin), and commenced hosting services in 2006.

Vodien Group has over 27,000 customers, over 52,000 domains registered, and over 26,000 active hosting customers. Its ABPU currently stands at AUD \$360, compared to Dreamscape Networks' AUD \$144.

The acquisition consideration represents an 8.4x annualized 2017 EBITDA multiple before acquisition synergies.

Acquiring Vodien Group provides Dreamscape with a ready-made and world class hub and facilities, as well as a talented team, large customer base, and strong bookings with attractive margins.

The acquisition is expected to be completed by the end of July 2017, and is subject to customary conditions, including finalisation of a Share Sale and Purchase agreement.

The acquisition will be funded through the combination of SGD 20 million cash from internal reserves and the issue of 42.5 million new DN8 ordinary shares to Vodien Group's founders that will be subject to a voluntary one year escrow period. The new DN8 shares will be issued at a deemed issue price of 25 cents per share, a 31.5% premium to the 20 day VWAP price of DN8 shares.

Strategic rationale

The acquisition is underpinned by a compelling strategic rationale:

- Complementary business with a strong cultural fit and an excellent reputation in Asian market
- Singapore provides a platform for accelerated growth and expansion across Asia and dramatically strengthens Dreamscape Network's position in Asia
- Operations in Singapore, where Vodien Group has number one share in Singapore hosting and number 3 of .sg domains (Singapore) with an approximately 19% market share, as well as an entry point into Indonesia and Malaysia

- Growth synergies in combining Vodien Group's and Dreamscape Networks' infrastructure and operations
- Opportunity to leverage the Vodien brand with increased marketing activity and exposure, given growth to date has occurred with minimal advertising
- Vodien Group generates strong hosting margins, with higher ABPU than Dreamscape Networks
- Opportunity to introduce existing customers of both organisations to additional add on value products and services
- Staff and office synergies, with opportunity to integrate staff by moving Vodien Group's support team located in Cebu, into Dreamscape Networks' Cebu office and incorporating both Singapore offices
- Adds depth and global leadership capability to management team, with Vodien Group founders joining Dreamscape Networks' senior executive team; and
- EPS accretive pre-synergies to Dreamscape Networks from first year of ownership.

Investor and analyst conference call

Dreamscape Networks will be holding an investor and analyst conference call at 9.30AM AEST today. Participants can dial + 61 2 9007 8048 or 1800 908 299 (toll free) to join the call. When prompted, please provide CONFERENCE ID: 696559.

For more information, please contact:

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About Dreamscape Networks Limited

Dreamscape Networks Limited is a leading online solutions provider of domain names, hosting and solutions and owns Australia's #1 domain brand Crazy Domains. The Dreamscape Networks Group offers simple, innovative and affordable online solutions that help businesses build and manage 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 service.

Mission

"To help customers achieve their online goals by delivering innovative, user friendly and intuitive, technology driven solutions to become the worlds most trusted and affordable online solutions provider, all backed by Best in World service"

Learn more at www.dreamscapenetworks.com and www.crazydomains.com

About Vodien Group

Vodien Group is a leading Singapore-based hosting and domain services enterprise, with emerging operations in Indonesia and Malaysia. It is the number one hosting provider in Singapore and the number three .sg domain provider. The Group comprises of Vodien Internet Solutions Pte Ltd and all related companies and businesses including – Singhost, IT Works Internet, Webvisions, and sgDomain.

Learn more at www.vodien.com