

TRADING UPDATE

Dreamscape Networks Limited (ASX: DN8) provides the following trading update.

Dreamscape is in the process of finalising its Appendix 4D Half Year Report for the six months ended 31 December 2017 (1H18). While the 1H18 results have not yet been finalised and are still subject to audit review, the Company believes it is prudent to advise the market that 1H18 Adjusted EBITDA¹ is expected to be in the range of \$2.8 million to \$3.2 million (1H17: \$5.2 million).

The decrease in the underlying result is due to an increase in 1H18 costs (relative to 1H17) and continued weak conditions in the Australian domain and hosting pillars. The lower earnings have been amplified as a result of the corresponding period costs reflecting Dreamscape as a private company and therefore not including any comparative costs as a public company.

Personnel, marketing and administrative costs have increased by approximately \$2.5 million relative to 1H17:

- Marketing costs have increased by \$1.3 million: Costs were in line with the Company's internal budget. In FY17 the Company's focus was on building its customer support team, and as a result, marketing spend was at a historically low level. Marketing costs in 1H18 included costs associated with initial marketing of the Crazy Domains brand in South East Asia, which is long term in nature.
- Personnel costs increased by approximately \$0.9 million: Key marketing and other appointments have been made to drive long term growth across South-East Asia and Australia.
- Administrative costs increased by \$0.3 million: 1H18 includes costs of being a listed public company that were not incurred as a private company in 1H17.

The Company has accelerated the consolidation of offices, and has recently announced internally the proposed closure of its Perth and Dubai offices. The operations in these two offices will be integrated into a new centralised head office in Singapore before 30 June 2018. The benefits from the office consolidation and simplification of Group structure will flow from FY19.

In addition to the centralisation of the head office in Singapore, the Company expects to benefit from a reduction in current cost duplications when the three recent Australian acquisitions (Net Logistics, Enetica Group and Quadra Hosting) are fully absorbed in Dreamscape's infrastructure. This process will similarly be completed by 30 June 2018, with benefits to flow from FY19.

As outlined at the Company's AGM, domain and hosting Bookings in the Australian market had been flat with no industry growth since the start of the financial year. This has continued in the November to January 2018 period.

While the Crazy Domains brand in Australia continues to increase its total .au domain market share, the industry as a whole has been flat. Notwithstanding current trading conditions for domains, growth opportunities still exist with the 59% of Australian Small Medium Businesses (SMBs) that do not currently have an online presence and the Company will continue to focus on tailoring its marketing and products to pick up this opportunity over the medium term.

The effect of the flat prevailing conditions in Australia is a reduction in overall Bookings for the underlying business (excluding acquisitions) of approximately 6% in the half year. The Company will provide guidance for the full year when it reports its 1H18 results later this month.

In contrast to the weak domestic market, Vodien Internet Solutions, the Company's Singapore based hosting business has performed very strongly, with both bookings and EBITDA growth for the comparative 5-month period of ownership up approximately 20%. Vodien is now the number 1 .sg domain name provider (was number 3 at acquisition) and has maintained the number 1 position as hosting provider.



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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 South East Asia growth strategy.

Dreamscape's 1H18 result reflects a period of substantial transition, and while the financial result is lower than anticipated, the Company is profitable, generating positive cash flows, and committed to its South East Asia strategy, which is the right strategy to drive long term growth in shareholder value.

Dreamscape intends to release its audit reviewed 1H18 results on 22 February 2018 including guidance for the full year to 30 June 2018.

Notes

- (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).

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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 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