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16 July 2021

# Merger of Webcentral and 5G Networks by Recommended Scheme of Arrangement

Webcentral

ASX: WCG



# Disclaimer

## Important Notice

This presentation (**Presentation**) is dated 16 July 2021 and has been jointly prepared by 5G Networks Limited (5GN) and Webcentral Group Limited (**Webcentral**) in relation to the proposed merger between 5GN and Webcentral by way of scheme of arrangement under Part 5.1 of the Corporations Act 2001 (**Corporations Act**), (**Merger** or **Scheme**).

Under the Merger, Webcentral would acquire 100% of the fully paid ordinary shares in 5GN in exchange for the issue of new, fully paid ordinary shares in Webcentral, subject to the terms and conditions described in the merger implementation agreement entered into on or about the date of this Presentation (**Implementation Agreement**). A copy of the Implementation Agreement is available on ASX.

## Summary information

This Presentation contains summary information and statements about 5GN, Webcentral and their respective subsidiaries and activities, which are current as at the date of this Presentation (unless otherwise indicated).

The information in this Presentation is general in nature and does not purport to be exhaustive. For example, this Presentation does not purport to contain all of the information that investors may require to make an informed assessment of the Merger and its effect (on either of 5GN or Webcentral, or both), nor does it purport to contain all of the information that an investor may require in evaluating a possible investment in 5GN, Webcentral or Webcentral and its subsidiaries following the completion of the Merger (**Merged Group**). It has been prepared by Webcentral and 5GN with due care but, unless otherwise required by law, no representation or warranty, express or implied, is provided by 5GN or Webcentral in relation to the currency, accuracy, reliability, fairness or completeness of the information, opinions or conclusions in this Presentation (whether made by 5GN or Webcentral, or both).

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Further information about the Merger (including key risks for 5GN shareholders) will be provided by 5GN to 5GN shareholders and released to ASX in due course, in the form of an explanatory statement (as that term is defined in section 412 of the Corporations Act) and notice of Scheme meeting (Scheme Booklet). The Scheme Booklet will also include or be accompanied by an independent expert's report that will opine on whether the Merger is in the best interest of 5GN shareholders.

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## Financial information

This Presentation contains certain financial information in relation to 5GN and Webcentral.

Financial information contained in this presentation which relates to the financial year or period ended 30 June 2021 is an estimate based on unaudited accounts and is subject to completion of an audit. Accordingly, such financial information is subject to change and should not be taken as final or complete.

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# Disclaimer

Forward looking statements are not statements of historical fact and actual events and results may differ materially from those contemplated by the forward looking statements as a result of a variety of risks, uncertainties and other factors, many of which are outside the control of 5GN, Webcentral and the Merged Group. Any forward-looking statements, as well as any other opinions and estimates, provided in this Presentation are based on assumptions and contingencies which are subject to change without notice and may prove ultimately to be materially incorrect, as are statements about market and industry trends, which are based on interpretations of current market conditions.

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A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

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# Merger Highlights

The Merger of Webcentral<sup>1</sup> and 5G Networks<sup>2</sup> by Recommended Scheme of Arrangement Delivers:

- ✓ A Larger Entity with a Single Shareholder Base Propelling the Company Towards ASX300 Status
- ✓ A Consolidated Debt Facility; Allowing the Company to Target Larger Accretive Acquisitions of Listed or Private Enterprises
- ✓ Simplification of our Sales Delivery to 330,000 + Customers across Government, Enterprise, Wholesale and Small/Medium Businesses Through a Combined Online Portal
- ✓ Further Cost Synergies Estimated at \$2M from Operating Platform Consolidation, Corporate Cost Rationalisation and Labour Synergies to Drive a 20%+ EBITDA Margin
- ✓ Highly Experienced and Complementary Board and Senior Management Teams to Drive Growth

1. Webcentral Group Limited ACN 073 716 793 (ASX:WCG)

2. 5G Networks Limited ACN 163 312 025 (ASX:5GN)

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## Combined Business Profile



# Summary of Combined Webcentral Business



Revenue<sup>1</sup> \$110-120M



EBITDA<sup>2</sup> Margin 20% +



330,000 SMB Customers



2,500 Corporate and Government Clients



360 Staff



12 Offices around Australia



5 Data Centres in Capital Cities



100GB IP Transit Nationally



70KM Fibre Connection to Capital City Data Centres



600Gb of DDoS Mitigation



900TB Cloud Capacity



500,000 Domain Registrations



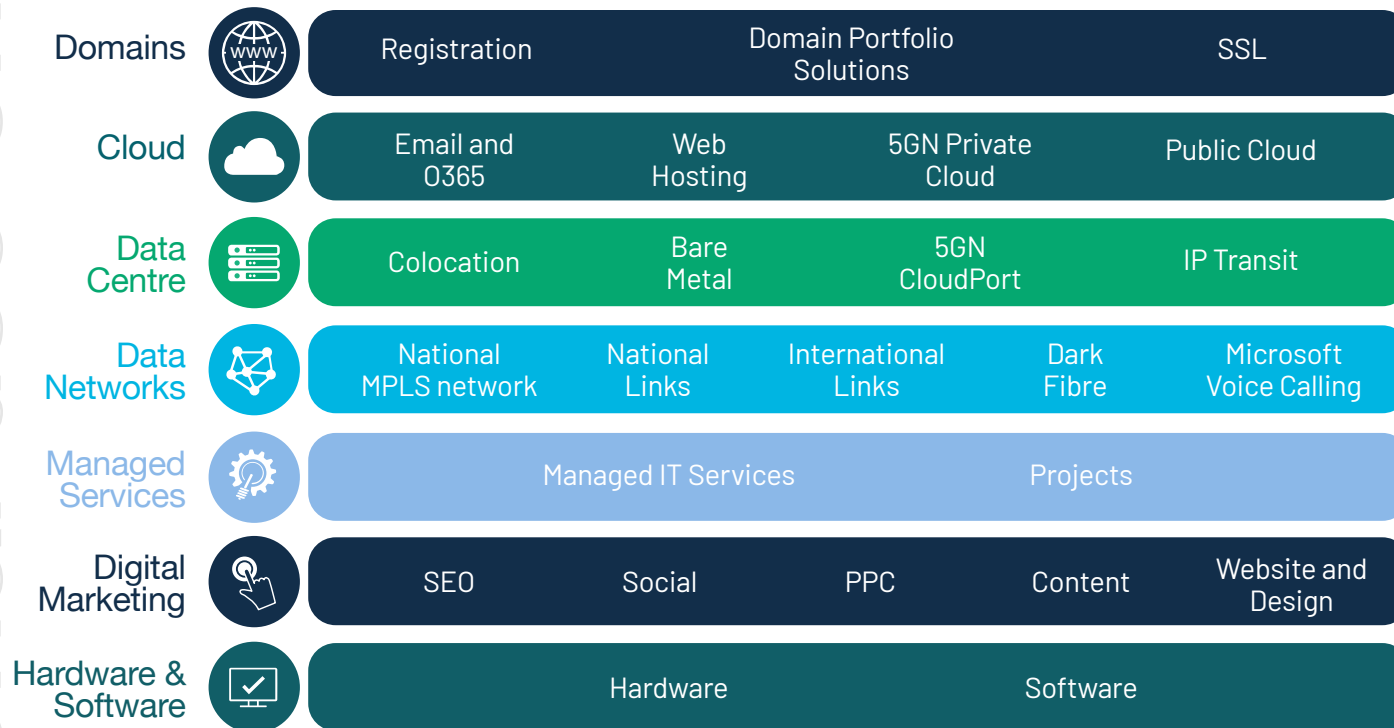
Hosting 35,000 Websites and over 300,000 Email Accounts

1. Proforma Revenue range dependent on one-off Hardware Sales

2. Proforma EBITDA before non-recurring costs and share based payment expenses

# Webcentral Product Offering

Webcentral services more than 330,000 Government, enterprise, wholesale, and small and medium businesses (SMB) customers across Australia and New Zealand. With 360 employees we seamlessly provide a range of cloud enabling solutions to businesses which consist of the following:







**Webcentral is one of the Top 3 Domain providers in Australia and the largest Australian owned operator of Fibre Networks, Cloud and Data Centres**

# Webcentral Integration Achievements

## Completed

-  Operating Cash Flow<sup>1</sup> \$20M Annualised run rate
-  EBITDA Margin 20% +
-  Executive and Management Team Integration
-  5GN Wholesale Portal and Strategy launched
-  Migration of Webcentral Public Cloud Services to 5GN Private Cloud
-  Webcentral Brand Simplification

## In Progress

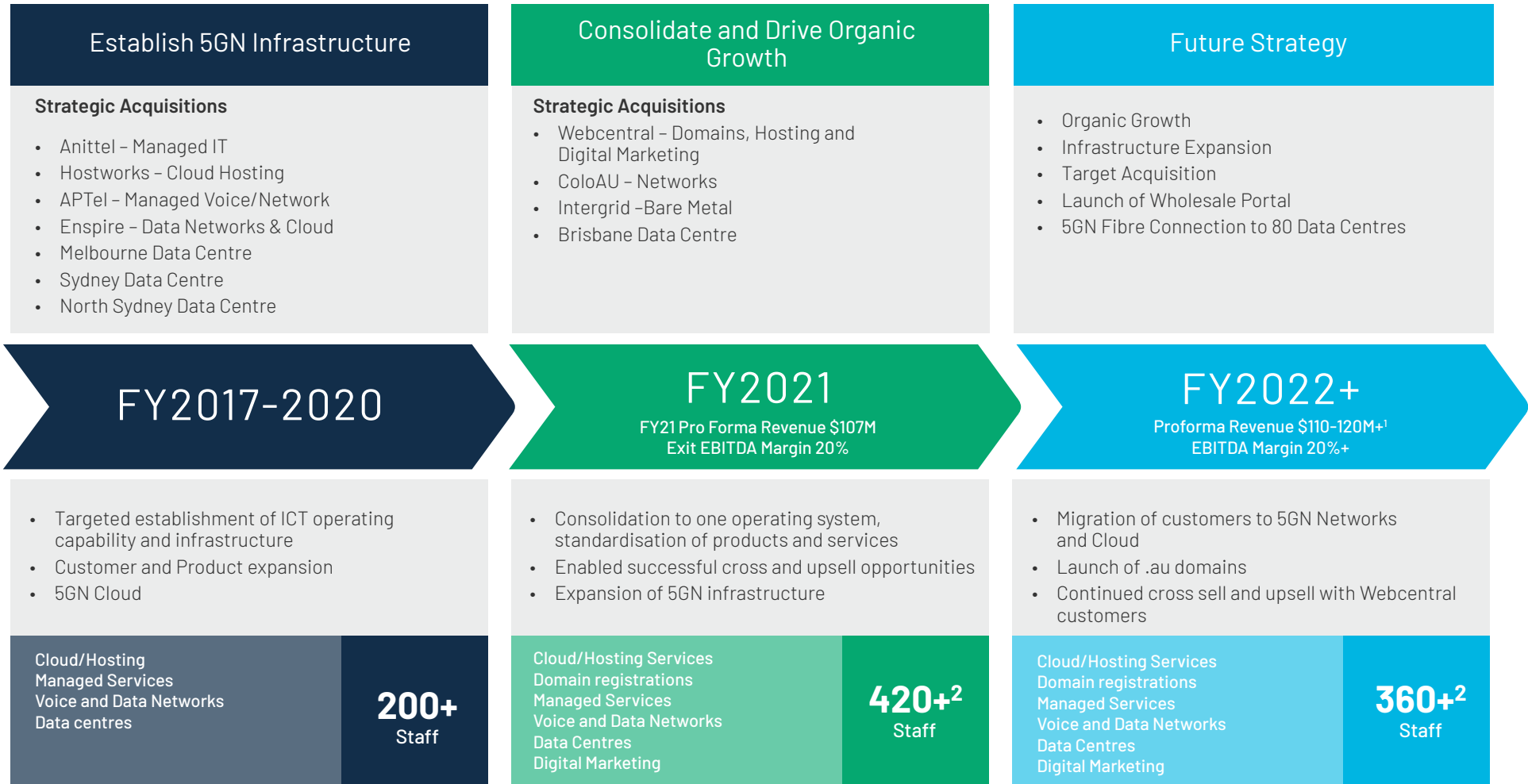
-  Customer Support Improvements and Onshoring
-  Fibre Connection to 80 Data Centres (connected 30 as at 30 June 2021)
-  Targeted Acquisition Growth
-  Release of .au domains by AuDA in March 2022 (To be confirmed)

1. Proforma before non-recurring items and share based payment expenses



# Strategic Plan Focussed on Acquisitions and Organic Growth








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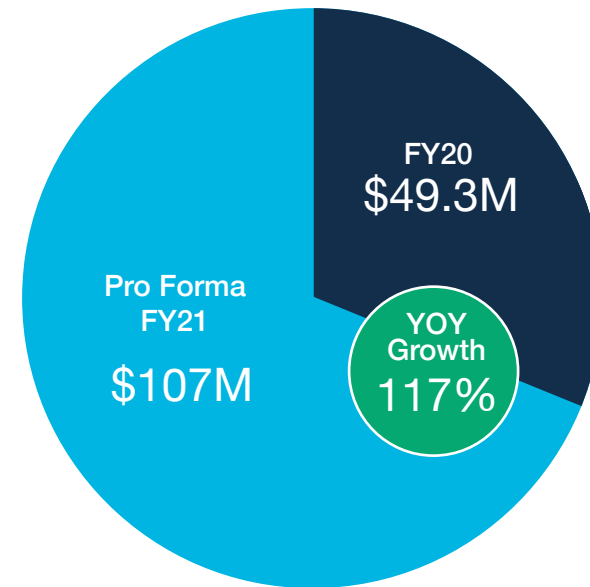
1. Proforma Revenue range dependent on one-off hardware sales

2. Total staff numbers of 420+ prior to 5GN's investment in Webcentral and current staff numbers of 360+ for the combined business

# Revenue by Product

	FY20 \$M	Pro Forma FY21 \$M <sup>1</sup>
Cloud 	13.7	33.6
Domains 	-	22.4
Network and Voice 	7.4	9.6
Data Centres 	7.7	8.5
Managed Services 	12.8	14.6
Digital Marketing 	-	7.8
Hardware and Software 	7.7	10.5
<b>Total</b>	<b>49.3</b>	<b>107.0</b>

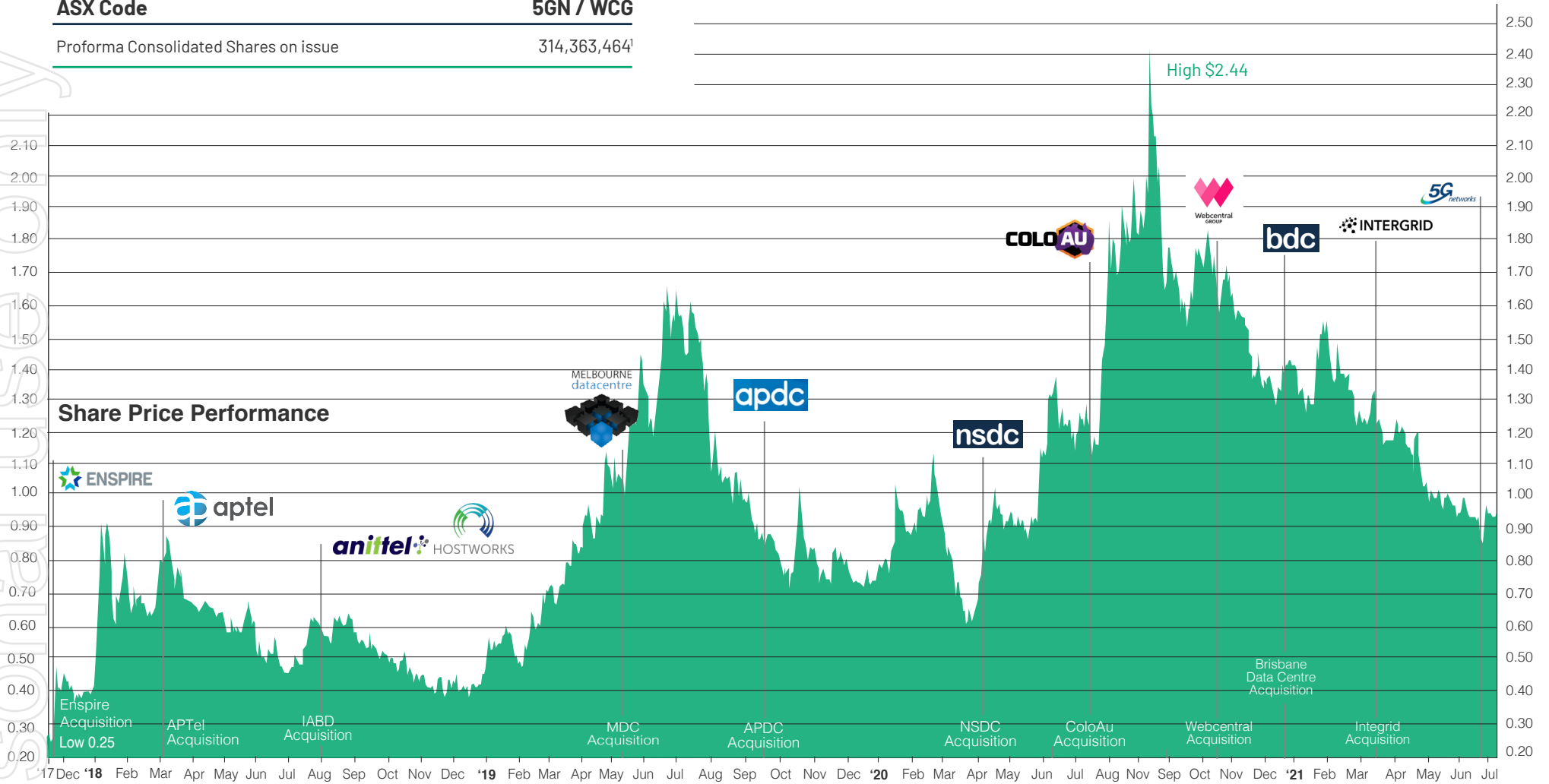
## Total Revenue



1. FY21 Proforma

# Webcentral Capital Structure

ASX Code	5GN / WCG
Proforma Consolidated Shares on issue	314,363,464 <sup>1</sup>



1. Calculated based on 155,365,679 Webcentral shares on issue, 114,261,123 5GN shares on issue and 69,594,461 Webcentral Shares held by 5GN

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## Transaction Overview



# Summary of the Merger

Merger transaction	<ul style="list-style-type: none"> <li>• 100% Scrip Offer with Webcentral to acquire 100% of the share capital of 5GN by way of a 5GN Recommended Scheme of Arrangement (the Merger)</li> <li>• 5GN shareholders to receive 2 Webcentral shares for each 5GN share held</li> </ul>
Financial Profile	<ul style="list-style-type: none"> <li>• Proforma Revenue of \$110-120M<sup>1</sup></li> <li>• Proforma EBITDA Margin 20%+<sup>2</sup></li> <li>• Conservative leverage profile maintained with proforma leverage of approximately 0.4 times<sup>3</sup></li> </ul>
Unanimous 5GN Independent Board Recommendation	<ul style="list-style-type: none"> <li>• 5GN Independent Board unanimously recommend that its Shareholders vote in favour of the Merger, and all 5GN Directors intend to cause any 5GN Shares in which they have a relevant interest to be voted in favour of the Merger, subject to an Independent Expert concluding that the proposed transaction is in the best interests of 5GN Shareholders and in the absence of a Superior Proposal</li> </ul>
Timing	<ul style="list-style-type: none"> <li>• 5GN expected to issue Scheme Booklet to 5GN Shareholders in September 2021</li> <li>• The 5GN Shareholders' Meeting is expected to be held in October 2021</li> <li>• Completion of the Merger is expected by October/early November 2021</li> </ul>

1. Proforma Revenue range dependent on one-off Hardware sales

2. Proforma EBITDA before non-recurring costs and share based payments expense

3. Based on proforma net debt of \$8.4M at 30 June 2021 including cash of \$18.9M, Term Debt of \$19.6M, Bank Guarantees of \$5.9M and Equipment Loan of \$1.8M

# Compelling Strategic Rationale

<p>Increased ASX Market Capitalisation</p>	<ul style="list-style-type: none"> <li>• The merger of Webcentral and 5GN will create a larger entity with a single shareholder base propelling the company towards ASX300 status</li> <li>• Significant increase in Market Capitalisation to approximately \$300M<sup>1</sup></li> <li>• Potential inclusion in ASX Market Indices</li> </ul>
<p>Improved Ability to Acquire and Grow</p>	<ul style="list-style-type: none"> <li>• A consolidated debt facility: allowing the Company to target accretive acquisition of listed or private enterprises</li> </ul>
<p>Simpler Capital Structure</p>	<ul style="list-style-type: none"> <li>• Simpler capital structure with one shareholder base and one debt provider</li> <li>• Removal of the 5GN loan to Webcentral (current balance \$26 million)</li> </ul>
<p>Simpler Sales Delivery</p>	<ul style="list-style-type: none"> <li>• Simplification of our sales delivery to 330,000+ customers across Government, enterprise, wholesale and small/medium businesses through a combined online portal.</li> </ul>
<p>Cost Synergies</p>	<ul style="list-style-type: none"> <li>• Further cost synergies estimated at \$2M from:             <ul style="list-style-type: none"> <li>• the consolidation of operating platforms;</li> <li>• corporate cost rationalisation from the elimination of one listed company and duplicated costs;</li> <li>• labour synergies from the elimination of duplicated roles and functions.</li> </ul> </li> </ul>

1. Based on Proforma post-merger shares of 314M, Proforma EBITDA of \$20M and an assumed EBITDA valuation multiple of 15 times

# Summary of the Merger Implementation Agreement

Overview	<ul style="list-style-type: none"> <li>Webcentral and 5GN have entered into a Merger Implementation Agreement ("MIA") which governs the terms upon which 5GN will propose and implement a Scheme of Arrangement ("Scheme") with its shareholders</li> </ul>
Conditions to the Scheme	<ul style="list-style-type: none"> <li>Implementation of the Scheme is subject to a number of conditions including without limitation the following:               <ol style="list-style-type: none"> <li>approval of the Scheme by 5GN shareholders and the Court;</li> <li>Webcentral shareholder approval of a reverse takeover resolution under ASX listing Rule 7.1 and the acquisition of related party shares under ASX Listing Rule 10.1</li> <li>the Independent Expert concluding that the Scheme is in the best interest of 5GN shareholders and not changing its opinion; and</li> <li>There being no "material adverse change", no "prescribed occurrences" and no "regulated events" in relation to either Webcentral or 5GN.</li> </ol> </li> </ul>
Independent Board Recommendation and Director Shares	<ul style="list-style-type: none"> <li>5GN must procure that its Independent Board Committee (subject to Court or regulatory restrictions) recommend that 5GN shareholders vote in favour of the Scheme ("Recommendation") and has warranted that all 5GN Directors intend to vote the shares they control in favour of the Scheme ("Voting Intentions"), subject to:               <ol style="list-style-type: none"> <li>no "Superior Proposal" emerging; and</li> <li>The Independent Expert concluding that that the Scheme is in the best interest of 5GN shareholders and not changing its opinion</li> </ol> </li> </ul>
Break fees	<ul style="list-style-type: none"> <li>Webcentral and 5GN have agreed a reciprocal break fee of \$0.5M, payable in certain circumstances</li> </ul>
Termination rights	<ul style="list-style-type: none"> <li>Either party may terminate the MIA in certain circumstances</li> <li>Webcentral may terminate the MIA if a 5GN Independent Director changes their Recommendation or Voting Intention</li> <li>5GN may terminate the MIA if a majority of Independent Directors change their recommendation as permitted under the MIA or Webcentral fails to obtain any required approval</li> </ul>

# Key Risks

## Investment risk

An investment in shares in 5GN or Webcentral is subject to investment and other known and unknown risks, some of which are beyond the control of 5GN and Webcentral. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of shares in 5GN or Webcentral in the future. 5GN and Webcentral do not guarantee any particular rate of return or the performance of 5GN and Webcentral, nor guarantee the repayment of capital from 5GN and Webcentral, or any particular tax treatment. When making any investment or other decision in relation to 5GN or Webcentral, investors should make their own enquires and investigations regarding all information in this Presentation, including, but not limited to, any assumptions, uncertainties and contingencies which may affect future operations of 5GN and Webcentral, and the impact that different future outcomes may have on 5GN and Webcentral. In respect of the Merger, investors should carefully consider the information to be made available in the Scheme Booklet (and all other materials issued by 5GN or Webcentral in connection with the Merger) and seek independent advice before making any decision.

## Conditions precedent must be satisfied or waived

The implementation of the Merger is subject to a number of conditions precedent. There can be no certainty that these conditions precedent will be satisfied or waived (where applicable), or if satisfied or waived (where applicable), when that will occur. In addition, several of the conditions precedent to implementation of the Merger are beyond the control of 5GN or Webcentral, including, but not limited to, approval of the Merger by the requisite majority of 5GN shareholders and the Court, and approval of the required shareholder resolutions by Webcentral shareholders.

If for any reason the conditions to the Merger are not satisfied or waived (where applicable) and the Merger is not completed, the market price of 5GN Shares and Webcentral Shares may be adversely affected.

## Court approval and delays

There is a risk that the Court may not approve the Merger or that Court approval may be delayed.

Each of 5GN and Webcentral has the right to terminate the Implementation Agreement. Accordingly, there is no certainty that the Implementation Agreement will not be terminated by either 5GN or Webcentral before the implementation of the Merger.

## Value of the scheme consideration is not certain

The implied value of the scheme consideration is liable to vary over time depending on the prevailing Webcentral share price, including between the date of this Presentation, the date of the scheme meeting and the date on which the scheme consideration is received by scheme shareholders.

## Integration risk and realisation of synergies

There is a risk that the integration of 5GN and Webcentral may be less effective than expected, or that expected synergies arising from the Merger will not be realised, or fully realised. Effective integration and the realisation of synergies will depend on a range of factors including the response of customers, suppliers and personnel to the Merger, the successful management of the integration of 5GN and Webcentral and other factors beyond the control of either of 5GN and Webcentral.

## Change in risk and investment profile

After implementation of the Merger, eligible participating shareholders who currently hold 5GN Shares will be exposed to additional risks relating to Webcentral and certain additional risks relating to the Merged Group and integration of the two businesses.

While the operations of 5GN and Webcentral are similar in a number of ways, there will be differences between the size, capital structure, infrastructure and clients of the Merged Group and 5GN currently.

## Securities market fluctuations

There are various risks associated with investing in any form of business and with investing in listed entities generally. As with any entity listed on the ASX, the value of 5GN or Webcentral shares is influenced by a variety of factors, including macroeconomic factors or broader social occurrences which are beyond 5GN or Webcentral's ability to control or predict. The events relating to the COVID-19 pandemic have recently resulted in relation to certain listed entities, in significant market falls and volatility including in the prices of securities trading on ASX. The value of new Webcentral shares following Implementation of the Merger will depend upon general share market and economic conditions, which are uncertain and subject to fluctuation, as well as the specific performance of the Merged Group. There is no guarantee of profitability, dividends, return of capital, or the price at which Webcentral shares will trade on the ASX. The past performance of 5GN or Webcentral shares is not necessarily an indication as to future performance as the trading price of shares can go down or up in value.



# Key Risks (continued)

## General economic conditions

The financial performance of the Merged Group and the value of the new Webcentral shares may fluctuate due to various factors, including movements in the Australian and international capital markets, recommendations by brokers and analysts, interest rates, exchange rates, inflation, Australian and international economic conditions, change in international economic conditions, change in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities, global health pandemics and acts of terrorism, investor perceptions and other factors that may affect the Merged Group's financial position and earnings. In the future, these factors may affect the Merged Group and may cause the price of new Webcentral shares to fluctuate and trade below current prices.

In light of recent global macroeconomic events, including the impact of COVID-19, Australia may experience an economic recession or downturn of uncertain severity and duration which could impact the Merged Group's ability to attract and retain customers, to invest sufficiently to develop, adopt and integrate the latest technologies into existing infrastructure, and to secure and maintain third party suppliers for IT and network infrastructure over whom the Merged Group may have no direct operational or financial control. These economic disruptions may adversely impact the Merged Group's earnings and assets, as well as the value of the new Webcentral shares.

## COVID-19

The escalation of the outbreak of the COVID-19 virus into a global pandemic is impacting global economic markets. The severity and duration of the COVID-19 pandemic and the effect on the performance of the Merged Group remains unknown. The Merged Group may be impacted both by deterioration in macroeconomic conditions generally and specifically in relation to its operations.

Many of the operational and general risks relating to the Merged Group are likely to be heightened due to the impacts of the COVID-19 pandemic. There is continued uncertainty as to the further impacts of COVID-19, including in relation to governmental action, lockdown, quarantines, customer behaviour, employee availability, travel restrictions and the general impact on the Australian global economy and share markets.

In addition, the COVID-19 global pandemic may specifically impact the operations of the Merged Group, including customers seeking lower cost services, increased bad debt risk, reduced revenue, including outbound international and inbound visitor roaming revenue, customers not being able to access retail stores, and delays in mobile network roll out. If any of these risks were to materialise, this could negatively impact the operating and financial performance of the Merged Group and hinder its capacity to meet its business objectives.

## Other risks

Additional risks and uncertainties not currently known to 5GN or Webcentral may also have a material adverse effect on 5GN, Webcentral or the Merged Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting 5GN, Webcentral or the Merged Group.

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# Thank you

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